purchasers: Iran, Israel, and Saudi Arabia, which account for about $4 billion of U.S. sales in 1976.

According to the GAO, increases in foreign military aid have "adversely" affected U.S. defense capabilities. Foreign sales agreements include provisions for future support (replacement and repair); undelivered future support orders now total $24 billion. This has led to production bottlenecks and competition between the Pentagon and foreign arms clients for essential parts. About half of all foreign support needs have yet to be calculated; inadequate attention has been paid to logistical back-up for systems with common components. (Sales of such systems affect not only the system being delivered but all similar systems already delivered.)

If lack of planning continues, GAO warns, the United States could find itself in the painful dilemma of being unable to fulfill foreign arms commitments without affecting U.S. readiness.

ECONOMICS, LABOR & BUSINESS

A Slackened Pace for East-West Trade

"The Wheels of Soviet Trade Could Use Some Oil" by Robert J. Samuelson, in *National Journal* (Oct. 8, 1977), 1730 M St., N.W., Washington, D.C. 20036.

The experience of the past five years has changed U.S. thinking about East-West trade, writes Samuelson, a *Journal* staff writer. First, it is now clear that the Soviet Union and its allies see importing advanced Western technology not as a means of upgrading their armies, as was once feared, but as a way to solve chronic economic problems. Second, a long anticipated trade "bonanza" for U.S. industrial exporters, with a consequent muting of East-West ideological conflicts, will not materialize.

The Soviet economy has been burdened by heavy defense spending (11–13 percent of total output, compared to 5 percent in the United States); by the need to keep a quarter of the work force on the farm (less than 5 percent in the United States); and by periodic crop failures. Western analysts see a slowdown in Soviet economic growth and energy production by the mid-1980s, coupled with declines in productivity and available labor. Imports of Western technology (e.g., for the proposed West German steel complex at Kursk and U.S. truck plant on the Kama River) may help ease domestic shortfalls.

In recent years, however, East-West trade has slackened: The Soviet Union and Eastern Europe don't have enough desirable goods to sell abroad. Communist trade deficits have reached staggering levels: In 1976, U.S. exports to the U.S.S.R., including grain, totaled $2.3 billion, while Soviet exports to the United States stood at a mere $220 million.

To sustain imports, the Soviets have allowed a rapid rise in their foreign debt, estimated at $14 billion in 1976, up from $1.9 billion in 1970. Total Soviet bloc debt now stands at $40 billion.

All told, the Eastern and Western economies have drifted together to a degree unimagined a decade ago (Soviet grain imports from the West and proposed Western purchases of Yakutsk natural gas are often cited), but two big "ifs" hang over the future. Some Washington observers think a debt crisis is possible as Eastern Europeans find themselves hard pressed to service debts already incurred. Second, if Western predictions of imminent Soviet production declines come true, Moscow's need for hard currency to pay for imported technology could increase sharply at a time when its sources of hard currency (such as natural gas sales) are drying up.

Job Security vs. Fringe Benefits

"What's Coming in Labor Relations?" by George S. McIssac, in *Harvard Business Review* (Sept.-Oct. 1977), P.O. Box 9730, Greenwich, Conn. 06830.

Although the United States considers itself the world leader in industrial management, leadership in labor relations may have passed to Western Europe, writes McIssac, a director of McKinsey & Company. He suggests that current trends here may make the European experience increasingly relevant to American companies.

At the heart of the European system—which McIssac terms a second Industrial Revolution—is the idea that workers have a right to stable employment; stability ranks as high as increased wages as a collective bargaining goal. This emphasis, he contends, has helped increase labor productivity in Germany, France, and Holland. In many European companies, labor has an "institutional" role in the corporate governing structure; indeed, the right to secure employment and stable income is approaching "political and legal parity" with the rights of investors.

Most U.S. labor unions are more concerned with real gains in wages and fringe benefits than with job security—defined by McIssac, as "uninterrupted, steady work with steady, uninterrupted wages." However, those American firms that have made job security a company policy, such as IBM, Kodak, and Delta Airlines, have recorded gains in morale and productivity.

The stark reality of the post–World War II job shortage, says McIssac, led to a "sober recognition" by European companies that profit was tied to political stability, which was tied to steady employment. For the next decade, the American labor force will grow faster than the number of jobs; it is thus in management's interest to heed workers' growing desire for "some form" of job security. Already some unions—the Steelworkers and the United Auto Workers—have indicated that they might be willing to exchange labor peace for steady employment guarantees. The 1977 Steelworkers contract, in fact, includes clauses protecting workers with 20 years of service from layoffs and shutdowns. It also includes an experimental "no strike" provision.