

Belgian politics in 1991

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I. Constitutional Reform

A. Preparations for the third and final phase

After Parliament had adopted a bill devolving responsibilities to the regions and communities (1988) and one on the financing of the regions and communities (1989), the constitutional reform agenda called for parliamentary reform, treaty-making power for regions and communities and the allocation of residual powers. As early as February 1991, the Francophone Socialists (PS) pleaded for a more fundamental reform including devolution of agriculture, foreign trade and development aid. The PS had been the scene of division between Walloon nationalists, who wanted to reinforce the position of the Walloon Region at the detriment of the Francophone Community, and moderates who favored a status-quo. These differences were ironed out with the radicals obtaining assurances as to their platform becoming party policy in the longer term. In resolutions adopted at their convention to which Brussels Socialists had not been invited, the Walloon Socialists called for limiting the central state's responsibilities to law and order, defense, justice, social security, monetary policy, the debt and international relations related to these responsibilities.

Francophone Christian Democratic Party (PSC) President Gérard Deprez insisted on having a discussion of the Francophone Community's financial problems before the drafting of the 1992 budget which was scheduled to take place before the summer recess. The Francophone Community was in great need of additional resources and Deprez feared anticipated elections without this demand being met. On earlier occasions, Deprez had expressed doubt about realization of the third phase, and since, in his view, implementation of this third phase was unlikely, he had stated that the presence of the Volksunie on the government benches was no longer warranted.

Once the Gulf war over, Prime Minister Martens had time to address the issue and he started preliminary talks with his vice premiers. This series of talks produced no tangible result. Pressed by the Flemish and Francophone majority parties, Martens decided to hold a special cabinet meeting April 12 to discuss all pending constitutional reform issues. At this meeting, Prime Minister Martens proposed a list of articles of the Constitution which required amendment in order to give regions and communities treaty-making power. Martens also proposed to include in the Constitution the principle of the direct election for the members of the regional and community legislative assemblies and he proposed to make a first step in the parliamentary reform process by reapportioning the responsibilities of the two houses by means of adjustment of the standing rules of both houses and by earmarking those constitutional articles which would have to be amended at a later stage in order to make possible reform of the bi-cameral system. Accord-

ding to his plan, reform of the Senate would come at a later stage. The cabinet had planned to discuss Martens' plan April 26, but the discussion never got under way since CVP Vice Premier Dehaene refused to hold such a discussion as long as the Francophone parties were insisting on discussing the financial needs of the Francophone Community. This was later corroborated by Prime Minister Martens himself who, while denying there were differences between him and Dehaene, confirmed that the Francophone ministers had linked the two issues and that this had been unacceptable to the Flemish ministers.

Without further commenting on the Prime Minister's aborted attempt, Vice Premier Dehaene (CVP) later said that there was a consensus in the cabinet on giving treaty-making power to the regions and communities and on including in the Constitution the principle of direct elections for the members of regional legislative assemblies. He added that the summer would be all right to make an assessment of the financial needs of the Francophone Community.

Since the Volksunie was stepping up pressure, the majority parties finally agreed on addressing the treaty-making power issue first. A group of leading experts headed by Professor André Alen, Secretary of the Council of Ministers, was asked to flesh out the problem. It was all Socialist and Christian Democratic ministers managed to offer to the Volksunie in order to keep them on board. Indeed, reform of the bi-cameral Parliament proved to be extremely sensitive. Not only were the Senators fearful of losing power and prestige, it soon became obvious that parliamentary reform required amendment of the electoral code and this, it occurred, would be too sensitive on the eve of a general election.

B. The summer deal

By the end of July, the cabinet started its annual budget talks and during these negotiations the ministers again addressed the pending constitutional reform issues. The majority parties agreed to stay together until the deadline for the next general election; i.e., January 19, 1992. Before the election, the principle of direct elections for the regional and community legislative assemblies would be incorporated in the Constitution. This article would also render it impossible for a member of the national assembly to be member of one of the regional assemblies. Reportedly, the Volksunie had unsuccessfully insisted on having this first separate elections together with the 1994 European elections. The most pressing problem was the financial situation of the Francophone Community. During the budget conclave, the ministers decided to ascribe to the community governments for 1992 a larger portion of the radio and tv tax receipts hitherto reserved for the national government and from 1993 on the complete receipts. In the past, the Flemish Christian Democrats (CVP) has repeatedly warned that they would condone such central government generosity only if the communities accepted new responsibilities. In the end, the CVP had to drop this demand but it obtained a commitment that in order to secure additional resources, the communities would have to levy surcharges on income tax. This was in step in the direction of financial responsibility wanted by the Flemish parties. Commenting on this August 2 deal, Vice Premier Dehaene (CVP) said that this had the advantage of requiring only minor changes to the regional financing system.

That treaty-making powers would be awarded to regions and communities came as no surprise. This was the only "third phase" issue on which tangible progress had been made during earlier discussions in Parliament and among ministerial aides. As this reform required only a minor amendment of the Constitution, it was

the most likely "concession" Christian Democrats and Socialists could offer to the Flemish nationalist Volksunie in order to keep the latter on board.

II. The political crisis

A. *The arms licences dispute*

In September, while ministerial aides were preparing draft legislation to implement the August 2 deal, linguistic tension rose over issues not directly related to phase III of the constitutional reform. When the Martens VIII cabinet was formed in 1988, the Volksunie had obtained guarantees as to new legislation on arms sales. It took until the summer of 1991 until his legislation was adopted by Parliament. In October 1990 the majority parties had a first time clashed over arms sales. At that time, Foreign Minister Eyskens (CVP) had planned to allow a shipment of arms to Rwanda to support the regime of President Habyarimana. However, this had met strong opposition from the Francophone Socialists in the cabinet. From that moment on, since they had become politically controversial, each arms export request had ended on the cabinet's desk. In May 1991, the cabinet approved a BF 2.3 billion export licence for an arms contract to Saudi Arabia, Oman and the United Arab Emirates, and it granted state coverage for a BF 7.3 billion FN contract with Saudi Arabia. It later became known that some ministers, including Budget Minister Schiltz (VU) and Foreign Minister Eyskens had expressed reservations. In June, the issue of arms exports was again raised. Referring to the May decision, SP President Vandembroucke spoke of "an enormous blunder." This decision was also challenged by the Catholic Workers Movement (ACW). Also Volksunie President Gabriels challenged the May decision adding that his party wanted a tightening of the legislation under parliamentary review. He threatened to cause the fall of the cabinet if no concessions were made to his party. Vandembroucke supported Gabriels' opposition, although he said that in the view of his party it had become impossible to revoke the BF 2.3 billion export licences. CVP President Van Rompuy said that arms sales had to be judged after the criteria of the new legislation which was being considered by Parliament. Before the summer recess the five majority parties reached a compromise. The cabinet agreed to include in the pending bill additional criteria making awarding export licences even more selective.

At the moment controversy broke out over arms sales to the Middle East. Foreign trade, with the exclusion of licences and quotas, was already largely the responsibility of the regional governments. Bringing licences and quotas under the jurisdiction of regional governments required amendment of the 1980 constitutional reform act. Moreover, granting export licences for arms was a foreign policy matter. While the national government was taking foreign policy arguments into considerations, the regional governments had jobs in mind.

B. *The Volksunie quits the cabinet*

When on September 6, the cabinet held its first meeting of the new political season, the agenda called for the approval of a BF 35 billion contract in telecommunication equipment, mainly beneficial to Flemish enterprises. Vice Premier Philippe Moureaux (PS) said that his party would only accept this contract provided the American Mecar company (located near Charleroi) obtained renewal of an export licence covering a BF 1.4 billion contract for shells for Saudi Arabia. Renewal of this licence was opposed by the Vice Premiers Claes (SP) and Schiltz (VU).

Both Volksunie president Gabriels and his SP colleague Vandenbroucke augmented the political tension by declaring that in a changed international context these arms sales no longer made sense. At that moment, the country was already in a pre-election atmosphere and both the VU and SP wanted to enter the campaign with "clean hands." Vandenbroucke strongly believed in a larger "progressive" front encompassing Socialists, greens and progressive Flemish nationalists. He believed that arms sale was the sort of issue over which these forces could unite.

On September 17, Moureaux issued a statement warning the other coalition parties that Wallonia's vital interests were at stake. Vice Premier Schiltz suggested to establish a "national fund" which would buy these arms allowing the Mecar company to stay in business, but the idea was dismissed by the vice premier's own party. A suggestion of Spitaels to establish a "temporary devolution of arms sale" to allow Flemish politicians not to get involved, was equally dismissed by the Volksunie. At a party meeting held September 23, Vandenbroucke met opposition from Vice Premier Claes and Interior Minister Tobback who were opposed to the party president's confrontational approach. This forced Vandenbroucke to ease this stance against the arms sales. Meanwhile, the Francophone parties threatened to call an emergency meeting of the Walloon Regional Council. At that moment there came a more active involvement of Vice Premier Dehaene. He launched the idea of a rapid devolution of export licensing. According to his plan, the amendment of the legislation, which required a two-thirds majority in Parliament, would be realized before October 10 and would be tied to a timely realization of the other pending constitutional issues. However, this idea of speeding up the devolution process met negative reactions from the Francophone Christian Democrats in general and from Vice Premier Wathelet in particular. Vice Premier Schiltz unsuccessfully tried to convince his party of the need to endorse Dehaene's compromise. Despite Schiltz's last minute attempt at winning Moureaux's endorsement for an outright discussion of all pending constitutional reform issues, it became clear that Volksunie ministers Vice Premier Schiltz and Development Aid Minister André Geens would have to resign from the government benches.

C. Martens IX

On September 28, there was more consultation between Socialists and Christian Democrats. Following a compromise reached between Spitaels and Vice Premier Claes, the two sides agreed to work out a solution along the lines of the provisional regionalization (devolution) system of 1974. In the national cabinet three regional ministerial committees would be set up obtaining the exclusive responsibility for awarding export licences for companies located within their respective regions. At the cabinet meeting of September 29, this proposal was submitted to all the ministers present. As expected, the two Volksunie ministers voted against the compromise, upon which Prime Minister Martens called on the King to submit the resignation of the two ministers. In order to preserve the constitutionally required linguistic parity in the cabinet, State Secretary Wivina Demeester (CVP) was named Minister of Budget and Scientific Affairs, replacing Schiltz, while State Secretary Eric Derycke (SP) became Minister of Development Aid. After the Volksunie had left the government, the cabinet no longer commanded a two-thirds majority in Parliament required for amendment of the constitution.

D. *The final showdown*

The Volksunie having left the cabinet did not mean the end of the political turmoil. On September 29 at the first cabinet meeting of the new team, controversy broke out when word reached Prime Minister Martens that Foreign Trade Minister Urbain had convoked the press to witness the ceremonial signing of the export licences by the newly installed regional committee. Martens had to remind his ministers that the Royal Decree establishing the regional committees was not yet submitted for the King's signature. In the short statement issued at the end of this cabinet meeting, reference was made to an "alternative solution" for the event no two-thirds was found in Parliament for the pending constitutional problems. This was interpreted by the Flemish media that the Francophone Community government would obtain additional resources (radio and TV tax receipts) by means of a Royal Decree. The same evening bemused TV viewers saw Vice Premier Moureaux threatening that if by the end of the day the arms licences were not issued, the Walloon Regional Council would meet the next day to take the necessary measures to protect the Walloon defense industry. This led to an outcry in Flanders. Apparently, Moureaux's statement had been recorded at a moment he was not yet informed about the compromise reached by Spitaels and Claes.

From there on, each day was an additional day of skirmishes among the majority parties. At the Council of Ministers meeting of October 4, Flemish and Francophone majority parties clashed once more over the telecommunication contracts. Under heavy protest from the Francophone ministers, The Flemish Vice Premier Dehaene and Claes ordered PTT Minister Colla to sign those contracts beneficial to Flemish enterprises. When the meeting of the ministers resumed, Moureaux immediately demanded the transfer of the radio and tv tax receipts, which was categorically denied by the Flemish ministers. Prime Minister Martens had no other choice than submitting the resignation of his cabinet. A few days later, the King refused the cabinet's offer. Had the King accepted the resignation, a new interim cabinet would have been needed to submit to Parliament the list of articles open for amendment. This implied the risk of this interim cabinet not obtaining enough support in Parliament. After the King had refused the resignation, the Martens cabinet enacted measures necessary to allow elections taking place on November 24. The cabinet submitted a bill containing a continuing resolution for the first quarter of 1992 and a fiscal bill allowing the cabinet to levy taxes during that same period. Other bills dealt with the military contingent for 1992, and the ratification of the 1990 treaty on the reduction of conventional forces in Europe (CFE). Most importantly, the cabinet submitted a list of articles earmarked for amendment by the next legislature. The final vote on this list was cast October 17. Approval of the list meant *de facto* dissolution of Parliament.

III. The November 24 elections

A. *The campaign*

The campaign leading to the election of 212 members of the Chamber and 184 Senators took place under new legislation setting caps on what political parties and individual candidates could spend. National campaign expenditures were limited to BF 50 million per party for the Chamber, Senate and provincial elections. Limitations imposed on individual candidates were pro rated according to the size of their constituencies. Distribution of campaign promotion devices was prohibi-

ted and the number of larger billboards parties and candidates could buy was restricted.

As he had announced in May, Prime Minister Martens ran on the CVP Senate ticket in the Brussels-Halle-Vilvoorde district. His adversaries said that by moving to Brussels, the Prime Minister was avoided another confrontation with PVV leader Verhofstadt in Ghent, a confrontation which in 1987 had turned to the advantage of the latter.

In Wallonia the election turned into a referendum on the way the Socialists had handled the region over the past four years. The PS had defeated the Flemish parties on the arms sale issue, and PS Party President Spitaels hoped that this would suffice to limit the losses. (In 1987, the PS had won a record 44 percent of the Walloon vote). In Flanders the majority parties were on the defensive. Both the CVP and SP had been strongly attacked in the media for the concessions made to the Francophone parties, and the polls forecast a victory for the ultra-right Flemish Blok.

B. A victory for Ecolo and Vlaams Blok.

In Flanders the CVP, SP and Volksunie suffered historic defeats, the winners being the Vlaams Blok and the ticket of Jean-Pierre Van Rossem (libertarians) which was successful in Antwerp. The CVP plummeted to 26.9 percent (-4.7), the SP was at a historic low of 19.9 percent (-4.7) and the Volksunie obtained 9.3 percent of the Flemish vote (-3.6). The PVV failed to benefit from the disarray of the majority parties, it won 18.9 percent (+0.5). The Vlaams Blok won 10.3 of the vote (+7.3), and at what was its first appearance Van Rossem's party won 5.2 percent.

With 20.7 percent of the vote, the Vlaams Blok became the largest party of the Antwerp electoral district, outdistancing the CVP.

In Wallonia voting behavior was more stable. The Socialists garnered 39.2 percent of the Walloon vote (-4.7), i.e., the party's 1985 level. The PSC came second with 22.5 percent (-0.7) and the PRL obtained 19.8 percent (-2.4). The result was particularly disappointing for the PRL which had failed to benefit from four years spent on the opposition benches. Ecolo was the only winner in Wallonia climbing from 6.5 percent in 1987 to 13.5 percent.

In the Brussels area, the PRL remained the largest party although it fell from 25.2 to 21.7 percent of the vote. Heavy losses were also sustained by the PS falling from 20.5 to 15.4 percent. Because of Prime Minister Martens presence in Brussels, the CVP losses were limited. Other losers include the SP, Volksunie and PVV. Among the winners were ECOLO 9.4 percent (+3.9), Vlaams Blok 3.9 (+2.9). The ultra-right National Front 5.7 percent (+4.5) while the FDF finished third with 11.9 percent (+1.1).

C. A difficult cabinet formation ahead

As the custom requires, the day following the general elections, Prime Minister Martens submitted the resignation of his cabinet to the King and after having accepted the resignation the King asked the cabinet to carry on with routine matters. While the King was doing his customary consultations, the first move was made by CVP President Van Rompuy. He declared on November 25 that his party would refrain from taking any initiative. From right after the elections on, it be-

TABLE I
The National Election Results

	% of national vote		Chamber seats	
	1991	1987	1991	1987
CVP	16.7	19.5	39	43
PS	13.6	15.6	35	40
SP	12.0	14.9	28	32
PVV	11.9	11.5	26	25
PRL	8.2	9.4	20	23
PSC	7.8	8.0	18	19
Vlaams Blok	6.6	1.9	12	2
VU	5.9	8.1	10	16
Ecolo	5.1	2.6	10	3
Agalev	4.9	4.5	7	6
Rossem	3.2	—	3	—
FDF	1.5	1.2	3	3
NF/FN	1.1	0.1	1	—
Total			212	212

came clear that Prime Minister Martens no longer had the confidence of his party and also Vice Premier Dehaene was criticized inside his own party.

There were theoretically 13 different ways of forming a cabinet commanding a majority in Parliament. Political observers noted that since Christian Democrats and Socialists no longer commanded a two-thirds majority in Parliament and the Volksunie had suffered a resounding defeat, a coalition of the three traditional "families" was the only combination which would command a sufficiently large majority in Parliament to amend the Constitution. However, the election results had sent such a shockwave through the political world that everyone realized that making a cabinet would be long and painstaking.

On November 29, Minister of State Frans Grootjans (PVV) was named *informateur* by the King. The press reported that Grootjans was not in favor of a tripartite and that he was paving the way for a Socialist-Liberal cabinet, which would be seconded by the Volksunie at the Flemish regional level. On December 9, Grootjans completed his mission and PVV party president Guy Verhofstadt was named *formateur*. The latter pushed ahead with great determination talking not only to the Socialist presidents Spitaels and Vandenbroucke, but also to representatives from the green parties. The SP insisted on bringing the greens on board in order to have a cabinet commanding a two-thirds majority in Parliament. The SP was fearful about the propositions made by Verhofstadt to Spitaels, in particular with regard to the extra financial means which, reportedly, would become available to the Francophone Community government. Vandenbroucke's reticence was also due to the internal divisions inside his own party. From the outset of Verhofstadt's mission on, SP Interior Minister Tobbac had raised serious objections, and the SP leadership was also coming under strong pressure from the Socialist Trade Unions

(ABVV) which were strongly opposed to a coalition with the Liberals. On December 18 the green parties turned down the proposals of Verhofstadt, qualifying them "traditional remedies". Right after this announcement the SP issued a statement saying that Verhofstadt's effort had become meaningless. The same day, Verhofstadt submitted his resignation as formateur. At a press conference the next day, Verhofstadt said that a historic occasion had been missed "to make something new." The same day, PSC Vice Premier Melchior Wathelet was asked by the King to form a cabinet. It soon became obvious that the new formateur was heading in the direction of a center-left cabinet. Commenting on the political situation, Theo Rombouts, head of the Flemish Catholic Workers Movement (ACW) had declared that the CVP joining the opposition benches would make so sense.

On December 27, negotiations between PS and PSC started on the forming of coalition government for the Walloon Region and Francophone Community. The PS said it meant that the two parties also wanted to join a national government coalition.

IV. The Economy

A. *The first signs of a recession*

Despite the fact that German orders continued to fuel the Belgian economy, the growth in exported goods diminished from 5.8 percent in 1990 to 3.5 percent in 1991. Despite a significant growth in disposable income (3.7 percent), private consumption grew by a mere 1.7 percent. This was the result of much higher private savings. Moreover, economic output was negatively affected by a weakening demand for new homes. Productive investment in manufacturing industry fell by 2 percent. Public spending grew by 1 percent, but that was for wages only, public investment remaining at a low level. In all, the GNP's growth rate fell from 3.4 in 1990 to 1.6 in 1991.

B. *Inflation*

In 1991, the inflation rate remained very much at the level recorded during previous years, and under the rates recorded in Germany and the Netherlands. It was at an annual average of 3.2 percent in 1991, compared to 3.5 percent in 1990 and 3.1 percent in 1989. As of January 1, 1991, changes were applied to the consumer index computation. Food prices rose temporarily during the third quarter of 1991, but made a steep fall later on. There was a marked increase in the prices of services, health care, public transportation and holidays. After the sharp rise of oil prices when the Gulf war broke out, prices dropped significantly during later months. Research revealed that the Gulf war had contributed for a mere 0.5 percent to the overall inflation rate.

C. *No action on the budget deficit*

With the GNP growing at a slower rate and expenditures not adjusted to this new situation, the budget deficit as a percentage of GNP rose from 5.5 percent in 1990 to 6.6 percent in 1991; i.e., the level of 1988-89.

This was the most disappointing news of 1991, especially since at the EC summit of Maastricht the goal for public deficits was set at 3 percent to be reached in 1996. Total revenue of the authorities dropped from 45.8 percent of GNP in 1990 to

45.4 percent in 1991. This was partly due to the tax brakes conceded during previous years. The yield of corporate tax was negatively affected by the reduction of the basic rate from 41 to 39 percent, but this was partially offset by eliminating a number of tax deductions. Social security payroll taxes underwent virtually no change in 1991.

Public expenditures (interest payments excluded) as a percentage of GNP increased by 0.8 percent in 1991. In real terms, however, expenditures went up 3.5 percent, which is significantly more than the 1.1 percent of 1990 and the 0.5 annual average of the 1985-89 period.

Undoubtedly, the rapid rise in unemployment contributed to higher spending, but also the higher wages and pensions paid to civil servants. Moreover, private sector pensions received 2 percent increase on top of the regular cost-of-living adjustments. There also was a noticeable increase in health insurance costs, their annual growth rate climbing from an average 2.6 percent during the 1985-89 period to 6.3 percent in 1991. Moreover, there was a noticeable increase in Belgium's contribution to the European Communities.

D. *The 1992 Budget*

At the annual summer budget talks, expenditures for 1992 were set at BF 1,635.9 billion and revenues at 1.281.1 billion. This 354.8 billion deficit was slightly higher than that of the previous year, but it remained within the limits set by the cabinet in 1988. Like during previous years, about 40 percent of all expenditures would be interest payments on the outstanding debt. Among the tax measures announced by the cabinet was the reduction of the basic rate for corporate tax from 39 to 38 percent, and abolishment of a number of tax deductions on investment.

E. *Wages and salaries*

In nominal terms, compensation per employee went up 5.8 percent. Taking into consideration a 3 percent productivity gain, unit labor costs in 1991 went up by 2.8 percent.

TABLE II
Labor cost in private industry
(annual percentage change)

	1988	1989	1990	1991
Wages paid per worker	1.5	4.3	5.8	5.8
causes: indexation	1.1	2.7	3.4	3.5
bargaining	1.0	2.0	2.0	2.0
employer social security tax	0.0	0.0	0.2	0.0
wage drift	-0.6	-0.4	0.2	0.2
Productivity	3.3	2.6	2.1	3.0
Unit labor costs	-1.7	1.7	3.7	2.8

Productivity gains registered in 1991 were due to more extensive use of temporary unemployment which allows enterprises to put their workforce temporarily

on the unemployment compensation rolls during periods business is slow. The effect of wage indexation (3.5 percent) was bigger than the 3.2 inflation rate, but that was due to wage adjustments being based on a four month reference period. Consequently, the inflation rise of the end of 1990 triggered wage adjustments in 1991, and when inflation eased during the second half on 1991 it was not immediately reflected in the wages. The two percent attributed to bargaining refers to contracts negotiated at branch level following the signing November 27, 1990 inter-industry agreement.

Earlier in 1991, controversy had arisen in the Central Economic Council between labor and management over Belgium's competitive position and over the need for subsequent government action. However, later during the year the matter was put to rest. Not only had Belgium's position improved because of the productivity gains, but action on such a controversial issue would have been beyond the call of duty of a lame duck cabinet.

V. The Labor market

A. Fewer new jobs

Between 1984 and 1990 some 130,000 new jobs had been created. In 1991, some 10,000 jobs were lost, mainly in industry. It were the first losses in six years, and they were particularly significant in the metal industry. If there was a small reduction in the number of people employed by the public services, it was exclusively due to cuts in the public employment programs. The job losses in the private sector would have been higher were it not for the temporary unemployment system which allows employers to shed workers temporarily when business is slack. In 1991 there was a average of 52,000 workers on this system, compared to 38,000 the previous years. The number of unemployed accepting a part-time job diminished considerable in 1991, but this was partially due to a more stringent implementation of the prevailing regulations.

B. Unemployment

In 1991, the population of working age grew by 17,000. The demographic factors had a negative impact, but this was compensated by immigration, especially from Eastern European countries. The number of workers deciding to interrupt temporarily or definitively their professional career diminished for the first time since the creation of these systems. Particularly significant was the drop in the number of workers opting for an early pension.

With the working age group growing and less new jobs available, the net result was a significant rise in unemployment. For the first time since 1984, annual average unemployment was on the rise again. It rose from 7.7 to 8.1 percent of the workforce. At the end of January 1992, Belgium had some 400,000 compensated full unemployed. Unemployment was back to the level it had reached in 1988, the highest ever level being the 530,000 unemployed of 1985.

Seasonally adjusted figures showed that in 1991, male unemployment was at 5.5 percent and female unemployment at 12.6 percent. There was a substantial increase in the number of people on the unemployment rolls for less than a year, while the number of vacancies dropped to its level of the mid-eighties, all indications that the unemployment rise of 1991 was cyclical.

C. Youth unemployment

In December 1991, there were 80,000 young fully unemployed under age 25, almost 7,000 more than the year before. In 1982 the number of young unemployed had peaked to 150,000 falling to 72,500 in 1990. The most vulnerable groups were young women, immigrants, and in general youngsters with low qualifications. The unions noted that the resorption of youth unemployment in eighties had been the result of a lower birth rate and compulsory longer school attendance. Since these factors would no longer play in the nineties, the unions expressed serious concern about youth employment for the years to come.

D. The non-profit sector

Research revealed that between 1982 and 1988 employment in the non-profit sector had risen by 30 percent. Of the 749,702 employed in this sector in 1998, the larger group were teachers (330,868). However, during the 1982-88 period, teaching jobs diminished by 1.4 percent. The most spectacular growth was registered in the social and cultural sectors. The number of people employed in the non-profit sector was relatively higher in Brussels and in Wallonia than in Flanders. This explains the attention given to this sector by the Francophone political leaders. The latter desperately needed extra resources to fund wage rises conceded to the teachers. The Flemish refusal to hand over this extra cash unconditionally was one of the causes of the 1991 political crisis.

E. The government's employment policy

One of the major problems facing the government was the rapid rising cost on unemployment. All categories considered, some 900,000 people were drawing unemployment compensation. In 1990, of the 704,000 drawing compensation, there were 350,000 fully-compensated unemployed looking for a new job; i.e. 49 percent. This category was expected to drop to 40 percent in 1992.

TABLE III

Unemployment compensation beneficiaries

	1991	1992 (forecast)
Fully unemployed	369,000	372,000
<i>assimilated categories</i>		
Temporarily employed	173,000	167,000
Early pensioners	140,000	141,000
Exempted-family reasons	122,000	131,000
Temporarily unemployed	54,000	54,000
Career interruption	49,000	50,000
Vocational training	12,000	12,000
Total	919,000	928,000

Criticism was directed in particular against the temporary employment scheme which had grown dramatically since 1985. The scheme allows unemployed to take on part-time jobs while remaining eligible for compensation. The unions denied allegations that they were instrumental in keeping so many on the rolls. They argued that these various categories of unemployed had been designed to allow management to shed workers when business is slack while also allowing them to hire cheap part-timers.

The government signed cooperation agreements with labor and management and the regional authorities concerning long-term unemployment. For those hard to integrate into the labor market, measures were taken within the framework of the 1991-92 inter-industry collective bargaining agreement which had earmarked 0,25 percent of total wages for that purpose.

Moreover, the cabinet decided on granting 10 days of leave of absence for emergency family reasons and the financial status of career interruption was improved.

While trying very hard to keep the unemployment compensation intact, Labor Minister Van den Brande was forced to tackle long-time unemployed. During the first months of 1991, the authorities made use of the notorious article 143 of the unemployment compensation code to monitor some 250,000 long-term unemployed. At the end of this vetting procedure some 100,000 warnings were issued (61 percent in Flanders, 33 percent in Wallonia and 6 percent in Brussels). When the procedure was completed, only 25,000 unemployed lost their compensation entitlement; i.e., one in ten of the long-term unemployed. This operation yielded BF 2.5 billion but this was not enough to prevent the Employment Office from being forced to borrow to deal with cash problems.

Labor Minister Van den Brande withstood pressure to operate further cuts in the compensation system. To the contrary, from October 1 on, compensation for the first three months of unemployment was raised from 60 to 62.5 percent of a ceiled earning for heads of household and single persons, compensation for spouses was raised from 55 to 57.6 percent. This change covered some 32,000 unemployed.

Moreover, from October 1 on, the daily control of the employed was abolished. Belgium was one of the last European countries to impose such a stringent form of control. Under the new system, control became bi-monthly, on the 3d and 26th of each month.

VI. Social Security

A. *Financing problems*

Because of the economic boom of the 1988-90 period, the financial situation of the social security system had improved during that period, allowing the national cabinet to cut its contribution to the system from 37.3 percent of total revenue in 1983 to a mere 16 percent in 1992. The total social security expenditures for 1992 were set at BF 1,366.2 billion for the wage and salary earners and the self-employed systems jointly. The government's contribution for 1991 was limited at BF 171 billion, to which was added a special contribution of BF 21 billion. In view of the forecast deficit of BF 16 billion in 1992, the government's contribution for 1992 was set at BF 184 billion and a BF 8 billion special allocation, again adding up to BF 192 billion, the annual ceiling set by the government for the 1991-95 period. The most important measures enacted by the government included the

controversial lifting of the family allowance deduction which was replaced by a 0.7 percent increase of the social security payroll tax. The possibility to interrupt the professional career became more restrictive and measured to lower health care consumption.

In its 1992 draft budget, the government envisaged transfer from the family allowances branch to pensions, from the occupational injury branch to pensions and from occupational diseases to health care. The Belgian Business Federation (VBO/FEB) warned the government that from 1992 on, all these measures would no longer suffice to keep the system out of the red.

Despite the vast amounts of money spent on the system, a report from the Antwerp University revealed that 6 percent of Belgium's population was poor. The same study reported of 75,000 families on the waiting lists for social housing. Moreover, 37 percent of those living on social welfare reportedly had health problems.

B. Health care

The most alarming developments took place in the health insurance sector. This was not only due to a rapidly aging population, but also to technological developments, and the expansion of care outside hospitals.

The cabinet tried to keep the costs of drugs and hospital lab tests under control, but the efforts were not very effective.

Jean Hallet, President of the Catholic Mutual Aid Societies, pleaded for higher payroll taxes for health insurance. The union leaders strongly opposed this suggestion, arguing that the health insurance branch had received plenty of extra funding in recent years and that doctors and hospitals had the obligation to cut costs.

In 1991, a 15th week maternity leave was awarded.

C. Devolution

Because the political crisis was about devolution, Flemish political circles insisted on having a closer look at the transfers from Flanders to Wallonia which are operated within the system. Some Flemish politicians had the intention of using these transfers as a bargaining chip in the negotiations on the new cabinet, especially since Walloon politicians were insisting on obtaining devolution of foreign trade and agriculture. Academicians had computed that social security means an annual BF 100 billion net transfer of purchasing power from Flanders to Wallonia. However, Flemish politicians realized that because of the magnitude of this transfer, its political use would be nihil. Therefore, during the election campaign, Flemish political leaders settled for a more practical goal. They focused their attention on an "unaccountable" BF 3.5 billion transfer from Flanders to Wallonia within the health insurance system which they attributed to a different attitude to social welfare consumption. This transfers debate forced Social Welfare Minister Philippe Busquin, a Francophone Socialist, to implement some minor adjustments in order to ease Flemish criticism.

VII. Labor and the government

A. The political framework

Caught once again in the constitutional reform turmoil, the Belgian politicians had very little time left to deal with socio-economic issues in general and with labor

affairs in particular. When in the summer of 1991 the cabinet made public its outline for the 1992 budget, the unions reacted positively, except for the government's decision to operate a further reduction of its contribution to the social security system.

Once the elections over, the two major trade union confederations produced a joint memorandum for the political world. Producing such a memorandum had been just a bit more painstaking than usual, but this had to do with the results of the trade union elections (see below). When the Flemish Liberal (PVV) Party President Guy Verhofstadt was named formateur by the King, the unions did not conceal their concern. He, and many of his Liberal colleagues, had pleaded for dramatic cuts in social security spending and for privatization of public companies and utilities. For the unions, reducing the budget deficit to 3 percent of GNP by 1996, as requested by the EC, would lead to an outright onslaught on the social security system and to the dismantlement of the public service. They pleaded for spreading the austerity effort over a longer period, adding that politicians should have the courage to tell the population that levying new taxes was inescapable. The union leaders strongly opposed the suggestion of applying on social security expenditures the same checks as those which had prevailed under the Martens VIII center-left cabinet for the entire budget; i.e. no growth in expenditures beyond inflation rate.

The focus of the unions was on employment, but they remained rather vague as to the recommendations for dealing with the rapidly growing unemployment. The unions also opposed the suggestion of granting special powers to the government, a device used in the eighties to impose austerity measures without daily interference of Parliament. Moreover, the unions stated that they were categorically opposed to such drastic measures as not disbursing to wage and salary earners one cost-of-living pay adjustment, another technique used in the eighties.

B. The civil service

In 1991 the public sector was in torment for most of the year. Civil servants pressed for higher wages to match wages paid in the private sector, and the unions and political leaders tried to cope with the growing complexity of bargaining in the public sector. The national government and the public service unions agreed on conducting bargaining at the national level, leaving limited elbow room for the regional governments to make adjustments. In the 1989 national negotiations, the public servants had obtained a 2 percent pay raise and an additional BF 6,000 vacation bonus. Another 2 percent had been granted for 1990, together with some smaller benefits. In 1991, the public service unions and the six national and regional governments reached a contract covering the 1991-94 period. It provided for a general adjustment of the wage scales before June 1994. According to the grade, adjustments would range between 6 and 17.4 percent. Moreover, the number of grades was increased from 4 to 5. In the meantime, public servants obtained a 4 percent pay raise which was to be paid before November 1992, and another 2 percent for 1993. However, the 2 percent of 1993 had to be considered as an advance payment on the 1994 wage scale adjustment. Moreover, two additional vacation days were granted. The agreement contained a labor peace clause, by which the unions promised to refrain from tabling new demands with respect to matters covered by the agreement.

C. The meal coupons

In Belgium, many private enterprises which have no catering services of their own pay out meal coupons to the personnel. Since no payroll taxes have to be paid on these coupons, employers are making a wide use of this possibility. In the 1989-90 period a number of local authorities had started to pay out the Christmas bonuses in the form of meal coupons. In 1990, the Francophone Community, short of funds, decided that it would pay the teachers' Christmas bonus in this form, and the example was followed by the Flemish regional government. Since this deprived the social security system of revenue, Social Security Minister Philippe Busquin (PS) was forced to intervene. By means of a Royal Decree he made sure that this system would not extend to other branches of the economy, but the Francophone Community government and the Flemish regional government were allowed to go ahead.

Early 1991, Finance Minister Maystadt made public figures showing that issuing meal coupons meant a BF 3 billion loss for the treasury, and also the National Labor Council pleaded for abolishment of the system, unless used for its original purpose. The Flemish regional government agreed to discontinue the system for its teachers, but the Francophone Community had no such intention.

D. Civil service reform

Public Service Minister Raymond Langendries (PSC) drafted a Royal Decree containing the basic rights of the public servants. The draft decree provided for a common recruitment system, a comprehensive job classification establishing minimum and maximum pay within each grade, and a common pension system. Moreover, it provided for certain rights that could be exercised by civil servants whether their employer is the national or the regional governments. Minister Langendries also aimed at protecting regularly hired civil servants against the influx of part-timers and of people hired under public employment programs. He also proposed amendments to the code of conduct allowing civil servants greater freedom of speech, and it introduced a new evaluation system.

However, these plans did not come through because of the government crisis.

Reports were made public showing that, despite and because of political devolution, public service employment remained on the rise. Important differences in regional breakdown were noted. For every 100 workers employed in the private sector, there were 40 public service workers in Wallonia and 28 in Flanders. The Walloon Employers' Federation (UWE) argued that this public service employment surplus cost BF 20 billion annually to the Walloon economy.

In political circles there was growing concern about the financing of civil service pensions. Belgian authorities have each month 280.000 pensioners to pay, the annual cost being BF 120 billion. Public service pensions amount to 75 percent of the average salary earned during the last five years of a professional career, and are consequently much higher than those of the private sector. Similar problems were looming in local government and in the public companies and utilities where similar pensions are paid out to employees. With employment in the public sector at large reaching 900,000, civil service retirement was due to become one of the major problems of the nineties, ministers warned.

VIII. Industrial relations and collective bargaining

A. Works Council elections

The elections for delegates to works councils and the safety and health committees took place during the first two weeks of June. They opposed delegates from the Catholic, Socialist and Liberal trade union confederations and from the National Confederation of Staff Employees. As a previous occasions there were no significant shifts. The (Catholic) ACV/CSC garnered 51.6 percent of the vote and 59.3 percent of the seats in the works councils. The Socialist confederation obtained 38 percent of the vote and 33.5 percent of the seats in the works councils and the Liberal confederation 7.4 percent of the vote and 4.2 percent of the seats. The National Confederation of Staff Employees garnered 1.7 percent of the vote and 1.3 percent of the delegates. Individual candidates obtained 1.3 percent of the vote and 1,7 percent of the delegates. The results for the safety and health committees were similar.

The elections were a success for the Catholic unions which made a gain of 3.30 percent in votes and 2.92 percent in seats. The leadership of the (Socialist) ABVV/FGTB failed to stem the downward trend, the confederation losing 2.14 percent of the vote and an almost equal percentage in seats. With the Socialists and Christian Democrats in power, the Liberal confederation had hoped that its greater freedom of action would result in a breakthrough, but the outcome was a disappointing status-quo (-0.38 percent).

A breakdown of the figures showed that the ACV/CSC was strong in both the profit and non-profit sectors, with the Socialists suffering the greatest losses in the non-profit sector (hospitals, schools).

In the profit sector the turnout was low. Only 63.8 percent of the workers cast a vote compared to 66.7 percent in 1987. In the non-profit sector more voters turned up, which was attributed to the ongoing labor disputes over pay. The results also showed that the Socialist confederation had done well in the category of younger candidates, particularly in the non-profit sector. As to the regional breakdown, the ABVV/FGTB lost in the Flanders and Wallonia, making a timid gain in Brussels. The ACV/CSC made gains in the three regions. The FGTB remained the leading union of Wallonia's industrial mainland.

B. Staff employees return to traditional unions

Another loser of the elections was the National Confederation of Staff-employees, which organizes middle-management. It had won 29 percent of the seats reserved to middle-management on the works councils in 1987. Following this success the confederation had unsuccessfully applied for a seat in the National Labor Council. In the 1991, its hold was reduced to 22 percent. The ACV/CSC won 30 percent of the seats, the Socialist confederation 16 percent and the Liberal confederation 5 percent. The larger part of the seats went to non-affiliated candidates (27 percent compared to 32 percent in 1987). With only 60 percent casting a vote, middle-management showed again very little interest in these elections. Contrary to what the Confederation had alleged during the past four years, staff employees had not been disloyal to traditional unions.

C. Strained collaboration

Although work council elections do not affect the power of the respective unions in the National Labor Council, the Central Economic Council and the many more bodies in which unions are represented, the 1991 elections strained relations between the two major confederations. When in September the two confederations were supposed to draft their annual joint memorandum to the cabinet, problems emerged. The Walloon wing was dissatisfied with the triumphant attitude of the Walloon CSC, boasting it had become the largest trade union force of the region. However, the national leaders of the two confederations managed to restore peace and the memorandum was issued a few weeks later than usual.

D. Labor disputes

A research team of the University of Brussels revealed that in 1990 the number of strikes had dropped to a record low 33, lower than previous record of 41 registered in 1964. In 1990, only 102,000 days were lost in strikes. In 1974 a record of 1,4 million days had been lost. The team registered for the first half of 1991 41 strikes, and with the labor unrest in the metal strike later during the year, the overall figure for 1991 would be significantly higher than the one of 1990. It was noted that strikes had become more frequent in the service (e.g. the nurses) and public sectors. Between 1975 and 1985, Wallonia had the image of being strike-prone. To what extent this had changed was hard to tell because of the small number of disputes taking place. During the strikes staged in the metal sector during the 1990-91 winter, it was again demonstrated that, contrary to what happened in the seventies, strikes remained limited to one plant almost never spilling over to a whole branch of industry.

In 1991, Limburg province coal miners took several times to the streets. At Belgium's last mine, coal digging will be stopped October 1, 1992, and the miners of this pit insisted on obtaining severance pay equal to what had been paid out to the miners hit by earlier closures.

E. The metal sector

In 1991, between 8,000 and 10,000 jobs were lost in the metal sector; i.e., 4 percent of the workforce. The forecast for 1992 was a loss of another 6,000. Particularly hard hit was machine construction while the automobile industry remained virtually unscathed. These layoffs were bringing the number of jobs in Belgium's largest private sector down to under 150,000. The companies which were forced to shed workers and which were the scene of strikes and work stoppages included Caterpillar, Ford New Holland, Alcatel-Bell, Bekaert and Boel. Negotiations with the unions led to contracts containing special early pension provisions.

Despite the recession, the first wage contracts signed for 1992 provided with substantial rises on top of the automatic cost-of-living adjustment. Again, many managers of the metal sector showed very little concern about calls made by their federation (Fabrimetal) to limit wage rises. Fabrimetal continued its campaign for discontinuation of the automatic wage indexation, but these pleas had no impact.

F. The Catholic Trade Union Confederation (ACV/CSC)

On December 10, Secretary General Robert D'Hondt, the confederation's number two, passed away. His replacement caused a rift in the francophone wing of

the confederation. There were two candidates for D'Hondt's succession : National Secretary Willy Thys and Liège CSC leader Josly Piette. Thys, who had solid support among the Francophone wing of the confederation, was a controversial candidate. A man of radical ideas, Thys had once been a supporter of the now defunct "Solidarité et Participation", a breakaway faction of the Francophone Christian Democratic Party (PSC). Josly Piette was identified as being a moderate and a supporter of collaboration between CSC and PSC. Since all Flemish votes went to Piette, he got the job. This caused dissatisfaction on the Francophone side, some arguing that the Flemings had managed to impose their candidate upon them.

E. *The Socialist Trade Union Confederation (ABVV/FGTB)*

The results of the trade union elections left the ABVV/FGTB leaders frustrated about their failure to halt the progress of their Catholic rivals. However, since losses were suffered in Flanders as well as in Wallonia, there was no rift in the organization.

There was, however, linguistic tension when the Martens Cabinet got in trouble over the arms sale licences. The Walloon wing strongly defended the Walloon arms manufacturers, while the Flemish wing supported the Flemish Socialist party (SP) in its opposition to the arms sale.

Unity was put to another test when during the government crisis, regional differences in social security consumption came under close scrutiny. A number of Flemish ABVV leaders had earlier hinted that they were willing to consider devolution of some aspects of the system. However, in the middle of a government crisis and with much at stake for the two Socialist parties, the dissenting voices in the confederation were silenced. The official line was that the confederation refused to consider devolution of social security.

When in December 1991, the Flemish Liberal Leader Verhofstadt was exploring the possibility of forming a Socialist-Liberal cabinet, there was noticeable pressure from ABVV Secretary General Mia De Vits on the SP. She greatly contributed to the SP finally refusing Verhofstadt's offer.

IX. International Affairs

A. *The Gulf war*

After Iraq had invaded Kuwait August 2, 1990 and the UN decided on a trade embargo against Iraq, the first actions of the Belgian government included the freezing of Kuwaiti and Iraqi assets. On August 9, measures were enacted in the framework of the economic and financial sanctions imposed by the UN against Iraq. The trade embargo against Iraq affected only a few Belgian companies. The US demand for sea and airlift assets in order to implement the economic sanctions against Iraq led to division inside the cabinet. At a special cabinet meeting held August 13, the cabinet ministers agreed to send a flotilla composed of two minesweepers and one support vessel to the Gulf. However, because of internal division, the government initially remained vague about the flotilla's actual destination. Moreover, there was division about the tasks the flotilla would perform in the Gulf. The government also decided on sending two C-130 aircraft to airlift Egyptian refugees from Jordan, and later two more aircraft were added. Foreign Minister Eyskens wanted to send F-16 fighters to the Gulf, but the Socialist coa-

lition parties were opposed to the idea. Defense Minister Coeme claimed that the fighters did not have the necessary ECM equipment to operate in the Gulf. This made Minister Eyskens wonder about the use of annually spending BF 100 billion for defense purposes while not being capable of sending fighters. Prime Minister Martens put an end at the dispute by declaring that Belgium would not get involved in an armed conflict. He said it was Belgium's role to help with the implementation of the UN trade embargo.

When in November 1990 the UN Security Council adopted the resolution asking the member states to join in the effort to remove "by all means" the Iraqi troops from Kuwait, the Gulf war had become inescapable. By the end of November, the British government requested Belgian assistance, *inter alia*, in the form of supplying shells. When Belgium's negative reply hit the press, there was a loud outcry in Great Britain and at home. The British media condemned Belgium for its coward attitude. On January 4, 1991, Defense Minister Coeme defended the Belgian decision by saying that the British request had been denied in order to safeguard the release of the Belgian hostages. He added that the Belgian government favored a diplomatic solution to the Gulf conflict.

During October and November, thousands of American military and tons of equipment transitted through the Antwerp port coming from Germany en route to the Gulf.

On November 14, 1990, Belgian political parties decided to send to Iraq a parliamentary delegation on a humanitarian mission in an attempt to obtain the release of Belgians held in Iraq. They left for Baghdad, November 21, and in Iraq they signed a political declaration in which reference was made to the Palestine and Lebanese issues. The declaration also contained a reference to the King's address to the Algerian Parliament in which the Belgian Sovereign had pleaded for solving the Palestine issue. Soon after, the Belgian hostages were set free and arrived in Belgium, December 2.

On January 2, the cabinet decided to fly 18 Mirage fighters over to Turkey to supply protection within NATO's Allied Mobile Forces (AMF) framework. The decision was taken after consultation with Germany, and Italy, the other AMF members. The Belgian cabinet emphasized that the mission of the Belgian fighters was to "deter and protect."

At the moment hostilities in the Gulf started, the cabinet said its line of conduct would remain unchanged: i.e., that Belgium's role would be "defensive" and "humanitarian" and that there would be no direct involvement in the hostilities. The cabinet decided that the Belgian minesweepers, operating within the West European Union (WEU) framework, would not operate offshore Kuwait. The government made available beds at the military hospital of Neder-over-Heembeek and one C-130 aircraft to fly over wounded from Saudi Arabia to Cyprus where Belgian medical personnel would be available.

On January 26, the cabinet decided to donate to the United States for BF 80 million worth of machine guns and the Red Cross was granted BF 30 million to help with relief operations. Observers saw these donations as an attempt to stem criticism which had arisen following the cabinet's decision to turn down the British request. Later, financial aid was proposed to both France and Great Britain. At that moment, the cabinet assessed its Gulf at BF 3.2 billion.

When right before the land battle, the Soviet Union made a last-ditch peace proposal, differences again emerged in the cabinet with Flemish Socialists and Volksunie saying that Foreign Minister Eyskens should not have refused this offer off-

hand. Later, with the land battle under way, the Volksunie called on the other majority parties to deny arms supplies to the allied forces. This forced Prime Minister Martens to call on his majority parties to preserve unity. (Both parties had also participated in the January 13 peace demonstration).

When the cease-fire was announced, Foreign Minister Eyskens said that Iraq should withdraw immediately and unconditionally from Kuwait and stop any form of hostility toward neighboring countries and refrain from any form of terrorist action. SP circles said that UN resolution 678 did not allow the Americans to continue hostilities in order to obtain disarmament of the Iraqi forces. At the end of the war, both the SP and PS insisted on need to preserve links with the Arab world. Vandenbroucke, arguing that U.S. President Bush had decided unilaterally about the start and finish of the war, called for a more democratic decision-making process inside the UN. He said that a small country participating in the hostilities would have made no sense.

B. *The Silco hostages*

The differences between Socialists and Christian Democrats about The Gulf war issue were linked to the handling of the Silco hostage case. In 1987 the Fatah Revolutionary Council of Abu Nidhal had abducted the Belgian Houtekins family off the Gaza coast. It was supposed that they were being held captive in Lebanon. Negotiations to obtain the release had been conducted mainly through Jan Hollants van Loocke, director of the political affairs department at the Foreign Ministry. After having been released, on January 13, the Belgian family briefly appeared before the press in Brussels. In exchange, Nasser Said, a Palestinian convicted and imprisoned in Belgium for his part in a 1980 grenade attempt against an Antwerp Synagogue in which a 15-year old was killed, was set free January 12.

However, on January 19 the country learned that three days earlier the Brussels police had arrested Walid Khaled, a spokesman for the Abu Nidhal terrorist organization who had on him a valid tourist visa issued January 11, the day before the release of the Houtekins family. Both Martens and Eyskens denied to have had any advance knowledge about Khaled's presence in Brussels. Prime Minister Martens said that the visa had been issued by Jan Kamps, the Belgian chargé in Lebanon, and that Khaled had been expelled the day after his arrival.

Once the events had reached the media, Foreign Minister Eyskens came under attack from his Socialist colleague Interior Minister Louis Tobback. The latter termed the case as "sheer madness", implying that the Foreign Affairs had been informed of Khaled's plans to travel to Belgium. Foreign Minister admitted that Khaled had asked to be allowed to travel to Belgium. On January 21, the Foreign Ministry announced that upon their request, Alex Reyn, Eyskens' chief-of-cabinet, and Hollants van Loocke had been released from their positions. Jan Van Dessel, another Eyskens aide, resigned a few days later.

Foreign Minister Eyskens came under growing pressure to resign. In the Chamber, Prime Minister Martens had to admit that mistakes had been made, but he laid the blame with the diplomats rather than with his foreign minister. He said that both Reyn and Hollants van Loocke had judged that an outright refusal of Khaled's request would have endangered the release of the Houtekins family, and that this view had been endorsed by Eyskens. However, Jan Kamps misjudged the meaning of this directive when he issued the visa on January 11. On January 31, the affair came to an end when the Chamber approved a motion of confidence in the government, but political observers noted that the Flemish Socialists had

refrained from putting more pressure on Eyskens only because of the ongoing Gulf war.

On February 1, Prime Minister Martens disclosed in Parliament all concessions made to obtain the release of the Belgian hostages. They included the release of Said Nasser, supplementary development aid for Palestinians (BF 200 million) and ratification of the in 1985 negotiated commercial treaty with Libya. Martens reiterated that no ransom had been paid.

Attempts by PVV President Guy Verhofstadt to have a parliamentary investigation into the handling of the Silco affair were obstructed by the majority parties. Meanwhile, Foreign Minister Eyskens had decided on an internal administrative investigation inside his department to be conducted by the ministry's top civil servant, Secretary-General Frans Roelants. On May 16, the Chamber decided to set up a special commission which would be called to review the administrative report. The report was not made public because, according to Martens, it contained state secrets. Nevertheless, parts of the report were made public at a press conference organized by Liberal opposition leaders Verhofstadt and Gol. It was revealed that the abductors had tabled four conditions for the release: extra development aid, scholarships for Palestinians, contacts with Khaled's organization and the release of Said Nasser. It was revealed that on December 24, 1990 Eyskens had instructed Hollants van Loocke and Reyn to settle the matter, agreeing to the four conditions, but there was no indication that Eyskens had actually approved the issuing of a visa.

Liberal attempts to hear the diplomats in person failed, and on June 24 the special Chamber commission decided to refrain from sanctions against these diplomats. On June 27, the Chamber voted down a Liberal proposal to establish a special parliamentary rogatory commission. Formally, this was the end of the Silco episode. However, its political impact would be felt much longer. Minister Eyskens' image was tarnished, and coöperation between Socialists and Christian democrats on the majority benches had been put to a severe test.

C. Defense

Besides deciding on participation in military operations in the Gulf and Zaire, Defense Minister Coeme and the military chiefs were called to address the changed military situation in Europe resulting from the end of the Cold War. In 1989, Chief-of-Staff Lt. Gen. Charlier had drafted an army reform plan but it required amendment to meet the new situation in Europe. On December 24, the government formally approved this updated version called the Charlier-b plan. The plan provided with a reduction of force in Germany to 4,000 military. Bringing the troops back, a plan named Reforbel, would cost Bf 18 billion to the taxpayer. Reforbel provided with the building of new barracks and a completely new command center.

According to the plans of the Chief-of-Staff the army's operational units would be trimmed from 41 to 22. The air force would lose its Bierset base, the 8th wing (20 Mirage fighters) would be abolished, and the operational capability of other squadrons would be reduced. As for the navy, 14 older minesweepers would not be replaced.

The plan came under fire from politicians but also from military. Just before his retirement, Air Force Chief Lt. Gen. Moriau openly criticized the plan saying it discriminated against the air force. Flemish politicians criticized the plan because, in their opinion, the new military constructions would favor Wallonia only. Especially the plan to build new barracks in Ath, the town of PS President Spitaels,

was heavily criticized. Moreover, Flemish politicians questioned the need for a new command center near Liège.

With defense spending coming under closer scrutiny, conscription was openly debated. A growing number of Christian Democrats joined the Liberals in opposing it. However, Defense Minister Coeme and the Socialist parties remained in favor of conscription.

X. Other issues

A. *Sabena in dire need of cash and a partner*

The Sabena Belgian airlines company was again in need of cash and this caused tension between Flemings and Francophones on majority and opposition benches. The losses incurred by Sabena amounted to BF 1.3 billion in 1989 and had climbed to BF 7.2 billion in 1990. In light of reorganizations taking place at European level, Sabena was looking out for a partnership since the company's fleet was too small, its capital insufficient and its share of the market too insignificant to survive. Sabena had been involved in unsuccessful negotiations with the Scandinavian SAS airlines and in 1988 talks with the Dutch KLM company had met opposition from the PS. In 1989, Sabena concluded a coöperation agreement with British Airways and KLM. Under the terms of the agreement the two companies would invest BF 2 billion each in Sabena World Airlines (SWA), a new subsidiary of Sabena.

However, on December 31, 1990, coöperation between the three companies was discontinued, according to a BA spokesman because of the rapidly deteriorating situation of Sabena. On February 19, the cabinet approved the umpteenth Sabena reorganization plan presented by Pierre Godfroid, the company's new chairman. The national government invested another BF 10 billion, rescinded claims on earlier loans and promised additional money provided Sabena managed to find a new industrial partner. Godfroid also proposed to cut 2,200 jobs together with restricting the number of intercontinental flights. The reorganization plan obtained the endorsement of the European Commission, the latter nevertheless warning the Belgian government that this should be the ultimate rescue operation.

Once the reorganization approved, reports appeared in the press that the company's new partner would be Air France. This was strongly assailed by Volksunie President Jaak Gabriels. Gabriels alleged that Air France's plan to rely on the Belgian Brussels Lambert group for realizing its financial input into Sabena was in violation of the Belgian government's own directives on the matter.

On October 9, Communications Minister Dehaene announced that the final decision on Sabena would have to be made by the new government, but that the Martens IX interim cabinet would take all necessary measures to keep the company afloat.

B. *Immigration*

On May 10, skirmishes in the Brussels municipalities of Forest and Saint Gilles opposed Moroccan immigrants to police and gendarmerie forces. The unrest went on deep into the night, and continued the following days. The unrest was triggered by the arrest of a Moroccan youth. Several demonstrators got injured and the police made several arrests. As soon as May 13, Charles Picqué, Minister-President of the Brussels Regional Government, earmarked BF 50 million for the recruitment

of auxiliary police officers and social workers whose special assignment it would be the appease tensions between the Belgian and immigrant communities. On May 17, the national cabinet enacted measures of its own. The gendarmerie was allowed to hire personnel for special functions and a decision was taken to step up security at underground metro stations.

XI. Developments in the political parties

On February 20, the CVP amended its standing rules in order to give the party executive a greater role in the making of party tickets for elections. It was an attempt at curtailing the power of the special interest groups. The amendment enabled the party leadership to offer safe places on tickets to younger candidates. Some of the party's local branches, e.g. the Ghent one, took advantage of this possibility on the occasion of the November 24 election. At a party convention April 20, attempts to lift the compulsory retirement age for Members of Parliament were unsuccessful. The government crisis and the party's November 24 election debacle caused anger among the party rank-and-file. At the first party executive board meeting following the elections, the representative of the party's youth branch called for the resignation of PM Martens, Vice Premier Dehaene and Party President Van Rompuy. At the end of a stormy meeting, a resolution was approved in which the party pledged its support to Van Rompuy, but merely showed "appreciation" for the work done by the CVP ministers in the cabinet. Having lost the support of his party, this meant the end of Wilfried Martens' career as Prime Minister. In various capacities, Martens had been the party's most influential politician for the past twenty years.

At a convention held January 19, Guy Spitaels was elected to another two-year term as party president. He garnered 84.3 percent of the vote. Senator Robert Collignon stayed on as Chairman of the party's Walloon wing. This Walloon wing, i.e., with the exclusion of the Brussels members, held a separate convention to which is referred in the constitutional reform chapter. This convention did not manage to break the deadlock over how the Francophone Community should relate to the Walloon Region, but it opted for a reinforcement of the jurisdiction of the Walloon Region in the longer term.

Another party president re-elected to two-year term was SP's Frank Vandenbroucke. Mrs. Carla Galle resigned as the party's secretary.

In the spring, PVV Party President Guy Verhofstadt issued a manifesto in which he pleaded for abolishment of the compulsory suffrage and for a referendum to be organized when vital questions are at stake. The manifesto, which was the outline for the party's election platform, was strongly assailed by Christian Democrats and Socialists. They said it was aimed at discrediting politicians in the eyes of the public.

On June 28, Gérard Deprez was re-elected PSC Party President. At the end of a lengthy procedure, he finally ran unopposed. A female hopeful failed to garner enough signatures to challenge Deprez.

In the Flemish green party Agalev, the debate centered on sharing power in the Flemish regional government. Since until October 1992, ministers of the Flemish government would be elected according to the proportional representation rule, the possibility of a green minister after November 24 was real. However, the election was a disappointment for the party. This setback, and the fact that the party was briefly involved in the government formation talks conducted by Verhofstadt, caused tension between the leadership and the militants.

Summary: Belgian politics in 1991.

Whereas the Belgian political world had planned a calm transitional political year leading to the January 1992 general elections, 1991 was a year of political turmoil resulting in the resignation of the cabinet and general elections. The Martens VIII cabinet had planned to implement the third and final phase of its constitutional reform package. However, in the fall tension rapidly rose inside the cabinet. While the majority parties were positioning themselves for the next elections, a row over arms sale licences caused the fall of the cabinet. First the Volksunie left, but only a few days later Prime Minister Martens had to submit the resignation of his cabinet. In the ensuing general elections, all the traditional parties lost ground except PVV and the losses were particularly severe for the Flemish Christian Democrats (CVP) and the Flemish Socialists (SP). Winners were the ultra-right Vlaams Blok in Flanders and the ecologists (Ecolo) in Francophone Belgium.