Spain to press OAU on Canaries issue

BY OUR OWN CORRESPONDENT

MADRID, March 2.

THE SPANISH Government is preparing a diplomatic and political offensive to head off the possible adoption by heads of state of the Organisation of African Unity (OAU) of a draft resolution backing the Canary Islands independence movement.

Last month, OAU Foreign Ministers meeting in Tripoli ratified a recommendation by the liberation committee that financial and material assistance should be given to the Canaries independence movement. MPAIAC, which is/was a terrorist campaign. The OAU headquarters in Madrid are expected to consider this resolution when they meet in Khartoum in July.

The OAU's claim regarding the 'African nature' of the Canary Islands has enraged the Spanish Government and all political parties, and was condemned in the Cortes last week.

Sr. Adolfo Suarez, the Prime Minister, saw Sr. Felipe Gonzalez, the Socialist leader, yesterday as part of a series of contacts aimed at forming an inter-party delegation to visit African countries between now and July to explain Spain's position. The political parties appear to be well united behind the Government on this issue despite having different relations with African countries.

Sr. Gonzalez visited Algiers recently to try to persuade the Government there to curb its support for the MPAIAC. The Algerians have now stopped Sr. Antonio Cubillo, the MPAIAC leader, from continuing his broadcasts from Algiers beamed at the Canary Islands. However, Spanish officials feel that Algeria only did this knowing that it would not affect its long-term designs on the Canaries. Sr. Cubillo had been broadcasting from Algiers for 15 years.

The Spanish Government is urging the ambassadors in Madrid of the 47 countries which voted in favour of the OAU resolution to visit the Canaries to acquaint themselves with the reality of the situation in the islands. Spanish officials still remember the visit of one OAU leader, who went to the Canaries and was surprised not to find any negroes there. The islands have been under the flag of Spain for 500 years. The indigenous population, the Guanches, have long since disappeared.

The storm over the OAU's attitude to Canary Islands has led the Spanish Government to begin questioning its foreign policy towards African countries, in particular Algeria, which is leading the movement over the Canaries. Among the considerations are whether Spain should sever diplomatic relations with Algeria if the situation worsens.

However, for this to occur the situation would have to become very serious as Algeria is quite important to Spain's foreign trade. The Algerians are Spain's largest customer for Spanish goods—the second-largest in Africa—and also supplies natural gas to Spain. But the fact that it is being mentioned in official circles emphasizes the seriousness with which Spain regards the problem.

Another issue which may be affected is Spain's good relations with the Arab world. Madrid was surprised that some Arab countries, such as Egypt, which is a member of the OAU, voted for the resolution. Spain does not have diplomatic relations with Israel, but their establishment may be brought nearer if those Arab members of the OAU persist in supporting the resolution.

Suarez defeat in Cortes

BY OUR OWN CORRESPONDENT

MADRID, March 2.

THE SPANISH Government has lost its first parliamentary debate since last June's general elections. Socialists, Communists and the Right-wing Popular Alliance joined forces late last night to reject the explanation given by Sr. Fernando Abril Martorell, the Vice-Premier for Political Matters and the new Economics Minister, about the reasons for the formation of the new Government, the second since the elections.

As a result the Government will have to explain itself better at the first plenary session of Parliament in April.

The Government changes in the Ministries of Industry, Work, Transport and Agriculture, were provoked by the resignation last week of Professor Enrique Fuentes Quintana, the Vice-Premier for Economic Matters. The Left see it as a move to the Right.

Sr. Abril said nothing about why it was necessary to change four Ministers, but insisted that the Government's economic policy would remain the same.

The Bank of Spain and most private banks have officially formed their special body to takeover and administer banks which find themselves in difficulties.

The Corporation Bancaria has Ptas.500m. ($66m.) capital, subscribed 50 per cent, by the Central Bank and the remainder by the other banks.
Bipartisan policy on Canaries fails in Madrid

Madrid, March 2

Government efforts to enlist opposition support for its foreign policy in Africa and to ease foreign political pressure on the Canaries have failed.

Sounding out opposition reaction to a plan to send multi-party missions to African capitals in an effort to soften a decision by the Organization for African Unity, to back a Canaries independence movement, Señor Suárez, the Prime Minister, conferred today with Señor Felipe González, the leader of the Socialist Workers’ Party.

Señor González is reported to have refused to take part in the plan. The basic point of disagreement, it is believed, is the question of the former colony of Spanish Sahara.

From Our Correspondent

Madrid, March 6

It was standing room only today in the Barcelona courtroom where four members of the El Joglars mime troupe were facing court-martial on charges of “insults to the armed forces”.

The trial of two other members of the company, who have escaped, has been postponed.

About 200 people gathered outside the barracks where the trial was held. Several of them tossed bunches of red carnations over the wall before riot police dispersed the crowd. A group of right-wing demonstrators tried to force their way inside the barracks and were chased away by military police.

Defence counsel presented arguments for the declaration of a mistrial. The military prosecutor called for the equipment which the actors had used on stage to be shown as evidence.

The four actors, who allegedly insulted the military establishment while performing the play El Torna in a Barcelona theatre last December, face on conviction possible imprisonment for up to three years.

They were arrested and charged under legislation passed under General Franco which allows the military to hold and try civilians for military offences. Señor Suárez, the Prime Minister, has made no overt effort to intervene in the case.

The verdict and sentences are not expected to be announced until they have been reviewed by higher military authorities.

The trial had been originally set for last Tuesday. It was postponed because the principal defendant, Señor Albert Boadella, escaped the day before. He and his colleague, Señor Ferran Rene are reported to be in Paris.

From Harry Debelius

Madrid, March 7

A military court mocked the faith of some Spaniards in their fledging democracy today by sentencing four actors in Barcelona to two years’ imprisonment for “insulting the armed forces” in a pantomime. The performance had been approved by the Ministry of Culture.

The sentences on three men and a woman must be approved by higher military authority. It was imposed under legislation remaining in force from the Franco era which allows the armed forces to try civilians for military offences.

The Government of Señor Suárez has made no overt attempt to intervene. The case began in December when a general ordered the closing of the Barcelona theatre where the troupe of Els Joglars had given just 12 performances of the play La Torna. Señor Albert Boadella, the actor-director of the troupe, and five other actors were arrested.

Señor Boadella and one of his colleagues escaped and fled to France, where they are expected to be granted political asylum.

Señora Marta Mats, a socialist deputy, has presented a question in the Cortes, calling on the Government to explain “various actions opposed to the right of free speech”, especially in regard to the Barcelona court martial.

The two-day trial resulted in clashes between the police and demonstrators, as well as other disturbances in Barcelona, in which several people were injured.

In Madrid, the police today arrested about sixty people, mostly connected with the theatre, from a cultural centre where they had been staging a sit-in in support of the Barcelo­na actors. Several people were reported to be in custody.

The play La Torna was based upon the court martial and execution of a Polish murderer in Tarragona in 1974. The military prosecutor said:

"In the script the military tribunal is portrayed as acting out of opportunistic and political motives, to the extent that it does not hesitate to condemn a man to death.”

Franco lampooned, page 7
Catalan actors go on trial amid protests

By Our Own Correspondent

MADRID, March 6.

THE COURTS martial of four Catalan actors charged with offending the armed forces in a show based on the execution in 1974 of a Pole and an anarchist, began in Barcelona today. They all appeared before the court. They are both now in exile in France.

The prosecution asked for prison sentences of three years each for the four actors, who have been on hunger strike in Barcelona.

A new law came into effect on Friday which did away with censorship in the theatre. Previously all scripts had to be submitted for vetting by censors. Now material must still be submitted, but only with a view to grading it as in the cinema.

However, there is still a catch, for the military code of the Franco dictatorship remains in force and this can override civil law.

Spanish Socialists quit constitution talks

BY OUR OWN CORRESPONDENT

MADRID, March 8.

SPAIN'S uncertain political time-table has been thrown into confusion after last night's withdrawal of the Socialists from the committee responsible for drafting the new democratic constitution. It was the closest breach yet between the main opposition parties and the Government.

The Socialist representative in the committee, Sr. Gregorio Perez Barba, withdrew after protesting that the ruling Union of the Democratic Centre party (UDC) had broken its promise that it would reach a consensus on certain issues.

The specific reason for his withdrawal was the UDC's attempts to substitute the existing text on autonomy with one mapping out the powers of the autonomous regions and delaying the granting of home rule to those regions requesting it for five years after the constitution's approval.

The Committee, which is made up of all parties, issued a statement urging the Socialists to show a sense of responsibility and to finish their work, so fulfilling their mandate.

There is a feeling that the Socialists have deliberately sought an excuse to sever their deteriorating relations with the Government in order to reinforce their image as the alternative future Government, and that the real reason for quitting the committee was the Government's attempts to delay municipal elections for as long as possible.

Municipal polls delay angers left

Resignation explained

BY OUR OWN CORRESPONDENT

MADRID, March 8.

THE SPANISH Left is preparing to launch an offensive in the Cortes (Parliament) and most parties are against the Government's attempts to delay municipal elections as long as possible.

The continued Government silence over this important issue—municipal elections were last held 42 years ago when the Left won an overwhelming victory—has led the Socialists to warn that they will hold demonstrations and meetings unless a decision is made quickly.

Sr. Adolfo Suarez, the Prime Minister, promised last June, after his Union of the Democratic Centre party won Spain's first general elections in 41 years, that municipal elections would be held by the end of the year. There is still no sign of a date.

The Government's reluctance to give a specific date reflects its concern that the Left will do well in the elections.

Reportedly reveal that the party's popularity is declining. The Government is banking on an upward turn in the economy by the autumn to restore its fortunes.

Town halls are still full of people appointed during the Franco dictatorship, although some have resigned since the general election and a few are being run by committees made up on a proportional basis according to the strengths of the parties in areas.

SPAIN'S FORMER Vice-Premier for Economic Affairs, Prof. Enrique Fuentes Quintanar, today said he resigned his post because he lacked the political weight to carry out the programme.

Explaining for the first time his decision to resign two weeks ago, he told the monarchist daily ABC that co-ordination between various Government departments was necessary to carry out the programme.
From William Chislett
Madrid, March 7

Records of General Franco's last messages are being sold here along with cassettes of speeches by Communist leaders; in Portugal copies of Mein Kampf lie next to pornographic magazines. The anomalies of the transitions in the Iberian peninsula from dictatorship to democracy are glaring.

After the Portuguese coup of April 25, 1974, the barriers were removed immediately and every kind of left-wing literature flourished, with posters and jingles praised revolutionary heroes.

In Spain the boom really started only last June, after the time of the first free general election in 41 years. Spain now has a flourishing magazine and newspaper industry. There are now 10 daily newspapers in Madrid, four of them started since General Franco's death in November, 1975, and eight in Lisbon—there were 12 at the height of post-coup fervour but four have ceased publication.

"We had the same experience in Spain, but the Portuguese are now bored and everything has died down", Señor Alfredo Duarte Costa, the former head of Anorbe, the official Portuguese news agency, told me. In Spain the novelty has not yet worn off.

In Madrid you can buy General Franco’s recorded speeches, books about him, medallions and a set of colourful wall tiles bearing his last testament to his people: "Do not forget that the enemies of Spain and of Christian civilization are alert. Be on your guard, and against them lay down your lives."

In February the publishers Sodoli started a weekly series called The History of Francoism which followed a series by one of Spain’s leading cartoonists, "Porros", called The Last 40 Years in which he depicted the Franco era hilarously. Both are selling well.

Under the dictator, cartoonists dared not lampoon politicians without running the risk of appearing before a court. Now not even King Juan Carlos escapes the pens of cartoonists, and satirical magazines like La Copera and even Private Eye look a little tame.

The most incisive cartoonist is Peridis of El Pais. His daily cartoons were recently assembled in a best-selling book with commentaries by some of the people he depicted including Señor Suárez, the Prime Minister, who praises him to the skies. The book, for the initiated, is the best record of the transition period and Peridis has the kind of following en joyed by the Peanuts strip.

Señor Suárez’s nose seems to get longer every day and the column upon which he sits higher or lower depending upon his standing with the opposition. Señor Santiago Carrillo, the Communist leader has emerged from his sewer and cast off his pointed ears, tail and pitchfork to pursue other politicians (the Franco regime sustained the myth of Communists as monsters).

Politicians were grey figures in the dictatorship. Now they are vibrant and in the public eye. When Señor Carrillo was asked last June what would happen if the right-wing Popular Alliance won the elections, he replied: "I would have to return to the sewer of Peridis."

It is a surreal situation. Most of Franco’s press laws still exist, but are rarely applied. The boundary is not clear.

The first issue of a blatantly republican fortnightly magazine, Acción Republicana, appeared in February without problems, while in the same week journalists were ordered the imprisonment of five journalists of Saida, an extreme left magazine. A press law passed last April outlawed attacks on the monarchy.

Political cabinet is becoming a hit, but it is eclipsed by risqué shows in nightclubs where very little is left to the imagination.

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**Madrid move to force early local elections**

From Our Correspondent
Madrid, March 8

The Spanish Socialist Workers’ Party has withdrawn from the parliamentary committee studying the draft constitution in a manoeuvre to induce the Government to call municipal elections without delay.

The Centro Democratic Union, the party of Señor Suárez, the Prime Minister, hinted recently that it would put off municipal elections until after a constitution had been approved.

Opinion polls suggest that the left would do well in early elections. The Centrist believe that they will gain more votes if they are able to claim credit for a new constitution.
Election date dispute in Spain settled
From Harry Debelius
Madrid, March 10
The parliamentary stalemate over the date of Spain's municipal elections began to thaw over here today after a government promise to hold them at not later than one month from the approval of a new constitution.

The dispute led to the main parliamentary opposition, the Spanish Socialist Workers' Party (PSOE) to withdraw its support last Thursday for a multi-party agreement on a draft of the constitution which is now being studied by a parliamentary committee.

However, the Socialist leader, Senor Felipe Gonzalez, said today that his party would once again support the agreement, provided the Centre Democratic Union (UCD) of Senor Suarez, the Prime Minister, was willing to make concessions on home rule, freedom of worship, and education.

The PSOE is anxious to take advantage of the present political climate, in which public opinion polls predict a victory for the left.

In Barcelona, an actors' sit-in continued today at the National Theatre Institute in protest against the sentencing of four civilian actors to three years' imprisonment each by a military court for "insulting the armed forces".

Spain gives autonomy to more of its regions
From Harry Debelius
Madrid, March 12
The Spanish Government approved provisional autonomy for four more regions at the weekend, bringing the total to six. The latest to be granted what is officially termed "pre-autonomy", pending constitutional recognition, are the Canary islands, Valencia, Aragon and Galicia.

Their people will have regional governments similar to those of the Catalans and the Basques.

The new statute for the Canaries, which are subjected to a wave of separatist terrorism led from abroad, will help solve the islands' serious economic and political problems, but it is expected to open up administrative channels which will make Madrid more sensitive to their needs.

According to the Madrid newspaper El Pais, there was little popular enthusiasm in the region for autonomy.

In Galicia the move also brought little celebration. One of Spain's underdeveloped areas, Galicia has traditionally been a focus of emigration. It has its own language, closer to Portuguese than to Castilian Spanish.
Loss of fishing could spread poverty
African claim to Canaries comes at difficult moment

From William Chislett
Madrid, March 14

Canary Islanders are living in the shadow of several volcanos. Apart from their own on the islands of Tenerife and Lanzarote, which have behaved themselves for some time, there are potentially more destructive ones. A motion to be debated by the Organization of African Unity (OAU) in Khartum in July, claiming the islands as part of Africa, is one. The islands' mounting social problems form another.

Both the Spanish Government and the opposition parties have rejected the OAU's claim regarding the "African nature" of the islands, but action is so far confined to words.

The claim could not have come at a worse time for the Government, for the islands' economic problems are far more severe than in the rest of Spain, except for Andalucía.

With an unemployment rate estimated at 12 per cent, a population growth rate of about 2.5 per cent and a per capita income 20 per cent less than in the rest of Spain, the Canary Islands are the most vulnerable part of Spain.

Between 1960 and 1975 it is estimated that more than 180,000 islanders sought work abroad, mainly in South America.

With the departure in February, 1976 of the last Spanish colonial officials from the Sahara, the Canary Islands ceased to be a bridge between mainland Spain and the country's overseas territories.

The handing over of the former Spanish Sahara to Morocco and Mauritania has led to a guerrilla war between the Algerian-backed Polisario, seeking independence for the territory, and Moroccan and Mauritanian troops. The conflict has aggravated the island's problems, swelling their population and weakening the fishing industry, one of the main sources of income for the islanders.

The Cortes (Parliament) recently ratified a controversal fishing agreement with Morocco which amounts to a de facto acceptance of Moroccan control of the waters formerly belonging to the Spanish Sahara where the islanders used to fish. Spain obtained certain fishing guarantees but, in the long-term, the agreement could deal a fatal blow to the islands' fishing industry.

There is a great shortage of water on the islands and the soil is consequently very arid. Many islanders have found that they cannot support themselves in the countryside and so have moved to the towns.

These problems have to be set against an increasingly active terrorist campaign being waged by the independence movement, MPAIAC, which wants to establish a socialist, African republic, politically and socially independent, and forming part of the OAU and the United Nations.

The latest victim was a policeman who died last Wednesday from wounds received when he tried to defuse a bomb planted by the MPAIAC.

Señor Antonio Cubillo, a former lawyer, who is reported to have once worked for the Spanish military information services. In 1962 he went into exile after the police detained him for illegal propaganda, and since 1964 he has been broadcasting his propaganda from Algiers.

The Algerian Government agreed to stop his broadcasts earlier this year after the Spanish Socialist Party persuaded it to curtail support for Señor Cubillo.

Señor Suárez, the Spanish Prime Minister, has just four months in which to try to get the OAU countries to change their minds on the Canaries. If the resolution is accepted in July then Señor Cubillo will present his case for Canaries independence to the United Nations.
Confusion surrounds Spain’s trade union elections

Spaniards have been voting for the last six weeks in their first free trade union elections since the civil war and it looks as if they will go on voting until the summer in a very drawn out campaign.

While a dangerous industrial vacuum is at last being filled after the dismantling of General Franco’s fascist labour organization, the panorama remains highly confusing.

The centre government’s ruse of minimizing the importance of the elections by leaving the running of them to the unions themselves—mainly the socialist General Union of Workers (UGT) and the Communist Workers’ Commissions (CCOO)—is paying off to some extent. The left has won its inevitable victory, but it is a victory which needs qualifying. The government’s tactics have shown the limited nature of industrial democracy in post-Franco Spain.

Last December the Government said elections would be held in those firms where they were necessary. The fledgling UGT and CCOO protested and decided to call elections everywhere between January 16 and February 6. But when the campaign was over most workers had not voted and so elections are continuing spasmodically.

The difference in the results being given out by the respective unions and the labour ministry is mind-boggling. For example on February 20 the UGT claimed that the CCOO had obtained 2,394 delegates in Madrid. The ministry said the CCOO had 6,406 delegates and the CCOO itself virtually agreed with this figure.

There are accusations of falsifying returns and lack of official control in the counting. At least one firm in Barcelona is reported to have stolen in the same result four times. There has been some bitter rivalry between the two main unions whose campaigns resemble those of a general election.

It is thought that about 35 per cent of workers have voted. Civil servants, where the law is not clear, have still to vote and agricultural workers have been left to one side. Employers, which means anyone from a sweet shop owner to a factory boss, are also not included and neither are those in places where less than six people work, estimated to be some two million workers.

During the dictatorship the syndical organization brought together employers, 29 industry-wide syndicates and the Government’s Ministry of Syndicates under one umbrella. Subscriptions for the syndicates were automatically taken out of workers’ pay packets, strikes banned and leaders of underground trade unions imprisoned.

One-third of the seats in the Cortes (Parliament) were made up of state appointing syndical leaders. The syndical organization had its own newspaper, at least 60 weeklies, 27 radio stations, and 30,000 bureaucrats.

The Franco system, formed in 1940 on the pattern of Mussolini’s corporate system, was abolished last year and the bureaucrats moved to other ministries. Workers now pay quotas to the union of their choice, 100 pesetas a month for UGT and CCOO.

The CCOO managed to penetrate the base of the Franco system around 1966 and built an impressive reputation. Their leader, Senor Marcelino Camacho, spent 12 years in prison and is now a Communist MP for Madrid... The CCOO likes to insist that it is not a “Communist” trade union.

The UGT, Spain’s oldest trade union founded in 1888 is the trade union wing of the Spanish worker’s Socialist Party, the main opposition party with 118 MPs compared to the Communists’ 20. It is richer than the CCOO and reportedly spent a vast sum on the elections with loans from the United States and West Germany.

The UGT rejects the CCOO’s overtures for a single united trade union, seeing in this an attempt by the Communists to gain control of the labour movement.

The ruling Democratic Centre Union Party has no trade union of its own, nothing like the Italian CISL, and in the elections supports the “independent” unions, which have done quite well.

The UGT reluctantly, and the CCOO more willingly, are supporting the Moncloa Pact between the Government and political parties which establishes a 22 per cent wage ceiling this year in return for anti-inflationary measures and an improved social programme.

William Chislett
industry, giving the banks a powerful, many say too-powerful, position in the economy, especially in the Big Seven as they are colloquially known: Banco Central, Ban-\n
cs Hispano Americana, Bilbao, Santander, Vizcaya, and Popular.

Their all-powerful role in granting credit is now being questioned, mainly by the left. Central is involved in construction among many other matters; Bilbao in shipbuilding. During the dictatorship banks invested vast sums of money and they prospered easily. The relationship between bank directors and the political establishment was a cozy one.

Another important financial base is foreign investment and foreign loans, mainly from the United States and the IMF. The foreign debt stands at $14,000m, although the loan granted in February of $200m from the IMF. Foreign banks in the main were not allowed to operate but investors were greatly encouraged. The Government is changing its policy and foreign banks will shortly be allowed to operate.

Spain cannot exist on its own resources and its imports bill has been steadily rising over the years to a total last year of $16,300m with exports of $9,450m. Tourism and remittances from emigrants have traditionally helped to offset the trade deficit. In 1977 tourism contributed $3,500m to the balance of payments. This year the deficit is expected to rise, but remittances are going down as a result of the tougher labour policies in Europe in 1976 compared with 1975.

Sanctions and the return of workers to Spain. As a result of all this, Spain is a year behind the world. At present Spain is in the grip of a productivity crisis and the result is a drop in the rate of economic growth, which in turn has led to a drop in the standard of living. The government is trying to fight inflation by raising interest rates, but this has led to a drop in investment and a fall in the rate of growth. The government is also trying to stimulate the economy by providing tax incentives and subsidies for exports, but this has not been very successful.

An armed guard at the entrance to the Banco de España in Barcelona. The bank is said to own 40 per cent of industry.

(called "Spain's oil")—one wonders how much longer the country will remain at this present level—little hope is placed in the country's own oil production. The country's energy imports bill is a constant drain on the trade deficit. The volume of crude oil imports in 1977 fell by 6.3 per cent but in value represents a 27 per cent increase in pesetas reaching $5,000m. Spain produces only a tiny amount of what it consumes, having no North Sea oil equivalent, although explora-

Only 20 per cent work on the land.
Any discussion of the financial base of Spain cannot fail to take into account the enormous effect of the flight from the farms to towns and cities and to foreign countries. In 1960, 41 per cent of the labour force worked on the land; now only 20 per cent do so.

It is estimated that in 1975 at least 850,000 Spaniards were emigrant workers and that between 1961 and 1970 nearly 4,500,000 people moved within Spain. Only Sweden and Japan had comparable moves away from the countryside during the period 1960 to 1965.

When the economy began to "take off" after 20 lean years after the civil war, the demand for cheap labour was enormous as industries like shipbuilding, textiles, cars and iron and steel expanded. Hundreds of thousands left their pueblos misery for the seemingly gold-plated streets of Barcelona, Bilbao and Madrid. But no more. Towns and cities are now full and have all the ensuing urban difficulties of housing and education needs. Now people are being encouraged to stay where they are.

At a result, the agricultural sector, which in 1960 produced 27 per cent of the GDP, now produces 9 per cent, industry 38 per cent (then 30 per cent) and services 53 per cent (then 41 per cent). Agriculture produces nowhere near the country's food needs.

With the creation of industry—Spain is now the ninth industrial power in the world—came the advent of the large banks and foreign investment. Close links were forged between industry and banks, which are now estimated to own 40 per cent of
Stock market barometer shows a deep depression

The Spanish stock market has been an accurate barometer of the ups and downs of the past two and a half years since the death of General Franco. A brief look at the graph reflecting the steady fall of the market is enough to give an idea of the seriousness of the position.

Forecasters are forecasting further weakness if the graph of the rises and falls of the stock market is anything to go by, and it is probable that Spain has now, contrary to optimistic written statements, touched bottom and the situation is likely to get worse before it gets better.

During 1977 (taking January 1 as 100) the Madrid stock market—which are the indices in Bilbao and Barcelona, but the Madrid and Mallorca indices with about 30 per cent of business turnover—rose to the level of more than 100 and that was on March 1 when the stock market in the capital closed at a new record high of 105.37 after the announcement of the economic measures of the Spanish government in an effort to combat inflation. Under Mariano Rabadas, the president of the Spanish Institute of Investors, pointed out in January that since April, 6/6 (28 months before the dictator's death), equities have gone down 15.2 per cent. In the last three months of the year the cost of living has risen in Spain by 78 per cent which means that 20,000 pesos invested four years ago is now worth 25,000 pesetas in terms of 1974.

Spain's stock market has three million individual investors, representing about one in three families, and 710 quoted companies. Compared with other stock markets it is much lower in the case of the Madrid market which is dropped at the pace of 4.1 per cent. This is the result of the government's policy of devaluation and the main political parties are unlikely to see any future in this policy unless there is an absolute change of political uncertainty which, to decide the fate of an authoritarian system and the gradual establishment of a democratic system, has made them adopt a wait-and-see approach.

The most affected sector of the stock exchange in 1977 was property investment, which reached the level of 12,000 to 16,000 pesetas a share in December. This is the result of the government's policy of devaluation and the main political parties are unlikely to see any future in this policy unless there is an absolute change of political uncertainty which, to decide the fate of an authoritarian system and the gradual establishment of a democratic system, has made them adopt a wait-and-see approach.

In contrast, the Madrid stock market reached its lowest point of the year on December 9, a few weeks after the signing of the pact, which reflected the political uncertainty produced by the dismissal of the government in the past few weeks. The fact is that the government has not had the courage to act decisively and has been forced to adopt a wait-and-see approach.

The government's policy of devaluation and the main political parties are unlikely to see any future in this policy unless there is an absolute change of political uncertainty which, to decide the fate of an authoritarian system and the gradual establishment of a democratic system, has made them adopt a wait-and-see approach.

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Unhappy over EEC terms

by William Chislet

The trumpets which heralded Spain's formal application to join the EEC last July are no longer heard; now there is only delay, and the political fanfare is over and the hard economic bargaining is on the horizon.

Señor Adolfo Suárez, the Prime Minister, seemed in a hurry when he sent his Foreign Minister, Señor Marcelino Oreamuno, to Brussels to judge the application only six weeks after the country's first general election in 41 years.

But the desire to come out from behind the Pyrenees, behind which the Franco regime hid so xenophobically, was very strong and was as much psychological as a matter of political expediency.

It also reflected the remarkable desire of unity among all the political parties in the Cortes over the need for Spain to belong to the EEC. If nothing else, agreement on this should make the Government's task in the negotiations that much easier.

Reviewing Spain's industry, agriculture and finance with eventual full membership of the EEC in mind, one is struck by the realistic approach in official circles. No one seems to fool himself, although the public is bemused by the issue through the general lack of information.

Spain faces its negotiations with the EEC in a period of recession. For 1977, the inflation rate was 28 per cent, the balance of payments deficit stood at $2,400m and unemployment was officially said to be more than one million out of a labour force of 12,000,000. Of the unemployed, 100,000 were estimated in February to be out of work in Andalucía alone because of the depression in agriculture. Reserves, however, did rise by $1,150,000 to $6,130m.

A credit squeeze is affecting many businesses and investment has fallen off greatly. The trade deficit for 1977 was slightly improved on 1976; imports increased by 15 per cent to 1,350,000,000 pesetas (16,500m) and exports by 32 per cent to a record 775,000,000 pesetas, mainly as a result of the 25 per cent devaluation last July.

Señor Suárez is aware that he will have to try to restructure some aspects of the economy, especially agriculture, which will not be easy given the general economic crisis. Businessmen know that many small firms will have to be reorganized if they are to become more competitive and so avoid going out of business. The will is there, although there is some disappointment over the Community's approach to some of the difficulties.

The immediate problem facing Spain and the EEC is to renegotiate the 1977 preferential commercial agreement. Spain wants a general agreement to be made for the Nine, as opposed to the Six, for whom the agreement was originally made.

There is general agreement that it should be reached and negotiations begun in February. Spain has decided to try to readapt the agreement since 1973 when Denmark, Britain and Ireland entered the EEC.

Spain signed a protocol agreement then which maintained the status quo and temporarily excluded Spain from the benefits which Spain gave to the original Six.

Spain is far happier with the terms being offered in the talks. The Community is offering various concessions, which Spain considers insufficient in view of the country's economic position. For example, the Community is prepared to offer a 40 per cent reduction on the tariffs on oranges, whereas countries like Israel and Morocco, to which Spanish officials always remind you, are not even prospective EEC members. There are 60 per cent and 80 per cent reductions respectively.

Spain wants at least a 60 per cent reduction and estimates that it had had last year the same treaty as Israel, £64m could have been saved in the citrus industry.

The proposed tariffs for industrial products are another problem. It seems that the Community would like a limit on some exports, such as ceramics, shoes and textiles, so that Spain would have to pay the full tariffs if it exported more than a certain amount.

The general industrial peak duties being mentioned are 60 per cent on the tariffs imposed by EEC countries on any given moment. The Community would also like an average of 17 per cent reduction on its industrial exports to Spain.

Spain is prepared to grant the reduction on industrial goods if it can get greater concessions for its agricultural products. Spain wants the renegotiated 1977 agreement to be the final one entered into before the Community's report on the EEC, after which there will be the normal transition period of adjustment.

By next spring, the Community's report on Spain should be drawn up and on it will be based the mandate for Spain's entry negotiated. Officials believe Spain could be in by 1978 and that the transition period could be about eight years.

Señor Lorenzo Natali, the vice president of the EEC, visited Madrid recently to start the interchange of information for the report. A few hours before his arrival, Señor Leopoldo Cárdenas was appointed "Minister for Relations with European Communities" (Minister without portfolio for Relations with European Communities).

One of the main problems will be French and Italian fears that Spain could flood the EEC with products like wine and fruit at lower prices.

On the other hand, some EEC countries, France included, stand to gain from Spain products, which they could export to Spain more easily. Spain's underdeveloped dairy market will be hard hit by EEC membership unless the Government steps in to save it from the brunt of fierce competition from other countries.

The economy's salvation depends on a large extent on the Moncloa Pact agreed between the Government and political parties last October. It is too early to judge the pact's successes, but the wage ceiling of 22 per cent, one of the main points, was adhered to during the first two months of this year. The former Vice Premier for Economic Affairs, Señor Enrique Fuentes Quintana, has given a warning that Spaniards will have to pay a high price to overcome their difficulties.

The steel industry is in such a bad shape that the Government is thinking of nationalizing it. The accumulated deficit of the steel industry is expected to reach $385m by the end of March.

"Spain wants to play its role in the new Europe", Señor Gabriel Párraga de Albornoz, minister for the Foreign Ministry's department of European integration, said. "We have not yet left off the European Community and we have a right to be there."
Reforms sap the public’s confidence

by William Chislett

For Spanish bankers the new controls of power are just as harsh as they were under General Franco. But with one important difference: the previous controls were imposed by the political and financial establishment of which the current government is a part, and the new controls are imposed by the Government itself.

The Government is proposing to control the activities of the Spanish banks, and to reduce their profitability. This is a significant change in the way in which Spanish banks are regulated. Previously, the Government had been content to allow the banks to operate relatively freely, and to allow them to profit from their activities. Now, the Government is taking a much more active role in regulating the banks, and is trying to reduce their profitability.

The reform is expected to have a significant impact on the Spanish economy. It is feared that the reforms will lead to a reduction in the profitability of the Spanish banks, and that this will, in turn, lead to a reduction in the availability of credit. This could have a significant impact on the Spanish economy, and could lead to a slowdown in economic growth.

The reform is expected to be implemented in stages, with the first phase involving the introduction of controls on the profits of the banks. This will be followed by further phases, which will involve the introduction of controls on the activities of the banks.

The reform is expected to be controversial, and there is likely to be a lot of resistance from the banks. However, the Government is determined to go ahead with the reform, and is unlikely to be deterred by any opposition.

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