

British Leyland and component-supplying firms. The expansion of the truck and bus, and export-oriented heavy vehicle manufacturing units have offset this loss, so that Leyland is expected to show a profit of around £200 million this year.

Despite this marked turn-around in the operation of the company since government takeover, the current strike, now nearing its fourth week, has opened a Pandora's Box for the economically pressed government. While acknowledging the validity of the strikers' claim for restoration of pay differentials between them and assembly line workers (who, because of the social contract in some plants, now earn wages exceeding these of the skilled machinists) the government has remained hard on strikers, even threatening to cut off further investment grants if the strike continues. Speaking bluntly, Callaghan warned the strikers during a speech in Parliament two weeks ago that unemployment was "the biggest differential of all."

Like the TUC leadership, the government has been loathe to make the strike official, since it would open up further demands from other disgruntled workers, and make implementation of Phase III impossible. On the other hand, too hard a line against the strikers could have the effect of the 1974 Miners strike on the Heath Conservative government: to completely destroy its credibility as a viable governing force within the trade union movement.

Opponents of the Callaghan strategy have not missed their opportunity to play up the government's weakness over the Leyland strike as proof of incompetence of the government's entire industrial strategy. Tory Party leader Margaret Thatcher has called for the break-up of British Leyland into separate (de-nationalized) companies, which would negate the entire industrial strategy. Further, the Tories, as well as right-wing press sources, are using the prolongation of the strike to blast the social contract, calling it useless if the unions are unable to police themselves.

Spain Couples Democratization With Economic Growth

SPAIN

During the past month, the Spanish government led by Premier Adolfo Suarez has made significant steps toward linking its "democratization" program to a domestic and foreign policy based on economic progress.

On Feb. 9, the Spanish government reestablished full diplomatic relations with the Soviet Union, culminating a brief diplomatic offensive which has led to the restoration of relations with virtually all of the socialist sector. A Spanish statement released at the time expressed hope that the renewal of relations with the USSR "will facilitate greater development of cooperation in the political, commercial, economic and cultural fields." Ecstatic reactions to the event from Spanish industrialists linked to the export sector confirmed a report in the Soviet paper *Isvestia* of Jan. 11 that "the more farsighted" Spanish businessmen have great doubts about a "one-sided orientation," i.e. solely toward the U.S. or the EEC, and support a "foreign economic policy based on developing trade on an equal basis with all nations, including the socialist countries."

In a similar move to diversify relations, Spain's Industry Minister Perez de Bricio completed a tour of Venezuela and the Andean Pact countries, where he signed a number of deals for joint development projects in shipbuilding, mining, transportation, nuclear energy and other fields. Due to the growing export orientation of Spanish industry, one of the first economic measures taken by the Suarez government when it took power in

July of last year was to create a "Fund for Development Aid" with a \$200 million annual budget to promote the export of Spanish industrial goods to underdeveloped countries. During a five-day visit in February to Iraq, Syria and Egypt, Spanish Foreign Minister Oreja paved the way for a trip to the Arab countries this month by King Juan Carlos and a high level government delegation. Large-scale Arab oil for Spanish technology deals are expected to be signed at that time.

Finance Minister Carriles announced the general outlines of an economic plan on Feb. 22, calling for increased public spending, aiming for a 3.5 percent GNP increase this year compared to 1.5 percent in 1976, liberalizing interest rates, maintaining price controls on essential consumer goods and moving toward legalizing the trade union movement. Distressed over Spain's intentions, the *New York Times* complained that the plan "announced no concrete measures apart from allocating \$773 million more to invest in industry and increase production." The *Wall Street Journal* expressed disappointment over the manner in which a devaluation was not made and complained "the plan didn't contribute to holding down wage increases."

The Suarez government continues to move ahead with a program of nuclear energy development ranking third among European countries. The Industry Minister has affirmed that "to turn our back on it would be to renounce progress for our country and for our standard of living." Spanish officials were reported by the Madrid paper *El Pais* to be irritated over the Carter cabinet's refusal to allow Spain's nuclear waste material to be reprocessed in the U.S. The Soviet paper *Pravda* has since hinted that Spain should take advantage of a huge nuclear reprocessing plant just opening in Hungary.

Due to the close ties of the Suarez government to some of Spain's largest banks (Banesto) as well as to the National Industrial Institute (INI), the huge state-owned monopoly which dominates shipbuilding, energy, steel and other heavy industry, it is necessarily opposed to the "social pact" scheme being promoted by the Spanish Communist Party head Santiago Carrillo with the public and covert aid of the New York banks. The "social pact" is in effect a blueprint for Spain's deindustrialization. Although Carrillo asks for the "reestablishment of democratic liberties," the finer print in his modest proposal demands a "national salvation" government, which would hold a referendum to approve Spain's entrance into NATO, restrict wage increases to less than their current levels and divert investment from INI's ("right-wing") heavy industry into what a recent Financial Times economic survey termed Spain's "labor-intensive factories in the coastal areas." It would also remove the ban on the operation of foreign banks in the country — in which respect, the Rockefellers' Chase Manhattan and Citibank head the waiting list.

A policy statement released after a Feb. 5 meeting of the board of directors of the Banco Guipuzcoano, including Foreign Minister Oreja, affirmed that "at the present time one of those drastic so-called stabilization plans should not be applied nor should there be talk of the famous Social Pact, in which the increase in salaries is less than the increase in the cost of living." The statement calls for "reaching a recovery, started by an increase in private consumption; followed by public consumption and investment and by an increase in inventories, and finally with an increase in investment, an objective which is difficult to obtain, but which must be pur-

sued with energy and enthusiasm, assuring success."

It is precisely such an awareness of the need for expanded production that causes the sane Spanish bankers and industrialists (who form the backbone of the Suarez cabinet) to promote Spain's current pro-development policies and reject the Carrillo-Wall Street "social pact" scheme. It is the same awareness of the idea of progress which prompted Suarez to respond to a journalist's question whether he supported the use of the Basque language in the universities by saying "Show me a teacher who can teach nuclear physics in Basque... Let's be sensible."

Not coincidentally, Suarez received a death threat on Feb. 25 from the Spanish "Apostolic Anti-Communist Alliance" (AAA), an ultrarightist group linked to the Rockefeller "Die Spinne" international terrorist network. Corresponding to death threats and assassination attempts recently made against other progressive heads of state including Italy's Giulio Andreotti and Venezuela's Carlos Andres Perez, the Suarez threat came right after the government announced that four top terrorist leaders, among them the head of the "Guerrillas of Christ the King" and three Italian neo-fascists, will be denied bail and tried for their crimes.

Suarez, compared by the New York Times' C. L. Sulzberger to the French Gaullist leader Debré when he came to power last year, has been acting to wipe out both "ultraleft" and "ultraright" terrorist groups in Spain to allow a peaceful transition toward its first legislative elections in four decades this spring. The cleanup involves the difficult and dangerous task of restructuring the highly corrupt intelligence agencies established during the dictatorship of the late Francisco Franco.