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SPAIN

The Spanish government, after a period of indecision brought on by the serious disturbances in the Basque provinces earlier this month, is pressing ahead with its liberalization program.

King Juan Carlos has reaffirmed his support for Prime Minister Arias and urged him to take a more decisive role in pushing forward the government's program, according to senior officials of the Prime Minister's office. One of the officials indicated that the cabinet, shaken by the turmoil of its first hundred days in office, was convinced that it must move its timetable forward.

One of the most urgent problems facing the government is labor unrest. Spanish labor has been calling for free trade unions and the abolition or reform of the monolithic government-controlled Syndical Organization, which lumps employers and workers together.

The new reform-minded team in charge of the government labor organization, Syndical Minister Martin Villa and Secretary General Socias, has already had some success in shaking up the entrenched conservatives who have dominated it for so long. The Syndical congress planned for July will probably be moved up to mid-May, according to a government official, and the reforms to be voted on at the congress will be announced well before May 1, in order to help tide the government over the expected labor day demonstrations.

Some members of the government reportedly favor discussions with the Socialists on the shape of labor reforms. Their hope is to strengthen the Socialist labor unions in their competition with the powerful Communist-dominated Workers' Commissions.

It will be difficult for the government to speed up the pace of political reforms already set in motion. The government is committed to working through the system, and the legislation must pass through parliament, where it can become bogged down by conservative obstructionism.

So far, draft bills have been sent to parliament that would broaden the rights of assembly and legalize political parties—euphemistically called "associations." A draft electoral law will probably be proposed to parliament within a week or so. There is also some discussion of advancing the proposed June date for a national constitutional referendum on the establishment of a bicameral legislature and a change in the succession law.

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The opposition, meanwhile, is unable to reach agreement on strategy. The two major opposition coalitions—the Communist-dominated Democratic Junta and the Socialist-led Platform of Democratic Convergence—are still negotiating to form the united front that was agreed to in principle on March 17. According to press reports, some members of the Platform group are balking at the prospect of an alliance with the Communist Party, although there is still a good possibility of at least a temporary alliance of forces.

Military dissidents are also apparently having their disagreements. An underground statement issued in Barcelona yesterday by military officers claiming to be members of the outlawed Military Democratic Union denied that the Union had given Juan Carlos an ultimatum to democratize Spain in two months.

The latest statement said the Military Democratic Union would not consider overthrowing the government unless asked to do so by all of the political forces of "real" Spain and, in any case, could not accomplish it in the short space of two months as was suggested last Tuesday by a self-proclaimed spokesman in Madrid.

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PANAMA

Panama's chief negotiator in the canal treaty talks, Juan Tack, reportedly has resigned, a move that could complicate the negotiations.

Tack has been unhappy with his role for some time, and has been jealous of the increased influence of other members of the negotiating team. Tack's prestige has been on the decline since last June, when General Torrijos granted him "temporary leave" from his post as foreign minister, ostensibly so he could devote full attention to the canal negotiations.

Tack has threatened to resign before, but Torrijos, partly to ensure continuity in the talks, has kept him on. Now, with Tack's influence eroded, Torrijos has evidently decided that his disruptive influence outweighs the benefits of his staying on.

Torrijos may now have to handle the treaty negotiations even more carefully. Tack is said to be dissatisfied with the course of the talks. If Tack decides at some point to risk Torrijos' ire by publicly criticizing any of the government's compromise positions, he could force Torrijos into a tougher negotiating posture.

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WEST GERMANY - EGYPT

West Germany intends to provide Egypt with limited amounts of aid and trade credit guarantees in order to encourage President Sadat to maintain his independence from Moscow and to persist in his efforts to achieve a peace settlement in the Middle East. Sadat arrives in West Germany on Monday to begin a tour of several European capitals.

A West German government spokesman announced on Wednesday that Bonn will provide Cairo about $40 million in capital aid. In addition, West Germany has authorized some $52 million to Egypt for "goods supplies." This refers to Bonn's decision to guarantee the sale of goods for that amount by private West German firms.

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SOUTH KOREA

South Korea, more than any other developing country, is capitalizing on the consumer-led recovery now under way in the major industrial countries. The dramatic growth in exports late last year confirmed the confidence of the international financial community, and, as a result, Seoul has already lined up most of its financial needs for this year.

In 1974 and 1975, South Korea borrowed a total of $5.3 billion to cover its current-account deficit and debt-amortization payments. Its current-account deficit alone was $2 billion in each year, a result of declining export growth and rising costs of imports. Seoul needed another $400 million a year to repay old debts.

In 1975, borrowing exceeded requirements because Seoul underestimated the strength of the export revival. South Korea thus added more than $400 million to its foreign exchange holdings in 1975.

A moderate reduction in the current-account deficit this year will come mainly from the continued rapid growth in South Korean exports. The surge in overseas sales during the second half of the year is carrying into this year; the seasonally adjusted value of export letters of credit in January and February ran 70 percent above the comparable level in 1975.

Despite substantial import growth, the trade deficit will probably be pared to about $1 billion this year, down from $1.4 billion in 1975. Increased remittances from workers overseas, primarily construction workers in the Middle East, will keep the deficit on services from rising much above $600 million. In the past 12 months, more than $2 billion in construction contracts have been signed with Persian Gulf countries and discussions involving another $3 billion are under way. This year, some 20,000 to 30,000 more South Korean workers and technicians are scheduled to be added to the 6,500 sent overseas last year.

Over the next several years, South Korea will need about $2 billion annually in foreign capital to carry out its development plans and meet a growth target of 8 percent a year. More foreign credits will be required if Seoul goes forward with its military expansion program.

Exports will have to grow at least 20 percent a year if Seoul is to reach its goals and keep its debt-service ratio near the current level. The 20-percent rate does not seem unreasonable, considering the large contracts recently won for selling goods and services in the Middle East and the strong sales in the US so far this year.

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PAPUA NEW GUINEA

Two recently announced Australian programs will strengthen the fledgling Port Moresby government and make it less vulnerable to separatist pressures.

Canberra is extending $1.1 billion in economic aid that will be spread over five years, beginning July 1. The package restores cuts made by the former Australian Labor government and will exceed previous levels of assistance. Additional aid for defense, special transitional payments, and expatriate benefits are not included in the package.

Australian aid presently accounts for more than half of Papua New Guinea's total government expenditures. Until the new aid package was announced, Prime Minister Somare had resigned himself to heavy cuts in public spending.

In addition, a copper concession agreement was signed on March 22 with an Australian mineral conglomerate. This company will study the possibility of developing the large Ok Tedi copper deposit in the country's western district near the border with Indonesia. If the study is favorable, construction will begin in four years. Production is expected to begin about 1983.

The aid package and the feasibility project are a major windfall to the Somare government, which has been faced with economic difficulties and reduced foreign investment. Although most of the impact of the aid is long range, the government will gain immediate political and economic benefits. The aid represents a strong vote of confidence in the government and should encourage private investment. It will also increase Somare's leverage in dealing with separatists, and help reverse the flight of Australians from the country.

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