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**Spain:  
The Socialists on the  
Threshold of Power**



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**An Intelligence Assessment**

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# Spain: The Socialists on the Threshold of Power

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An Intelligence Assessment

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**Key Judgments**

*Information available  
as of 20 September 1982  
was used in this report.*

The Spanish Socialist Workers Party is a heavy favorite to become the largest party in Parliament after the national election on 28 October. If it falls short of a parliamentary majority, we believe it would try—probably successfully—to form a coalition government with centrist participation. Although the party leadership is committed to a moderate course, pressures inside and outside the party for more leftist policies could grow after it took power.

A Socialist-led government would in our view be a less reliable partner for the United States than the current regime. It could make heavy demands of the Western allies on the issues of military modernization, the repatriation of Gibraltar, and security guarantees for Spain's North African enclaves—demands that would be endorsed by Spanish rightists and would reduce their qualms about the Socialists' rise to power. The Socialists might use Western failure to meet their demands to justify a reduction in Spain's commitment to the Alliance as well as a less cooperative posture in bilateral relations with the United States—steps that would please party leftists.

Bilateral defense issues that the Socialists might press include coproduction of military materiel, the freedom to use US aid to buy military equipment from non-US suppliers, and limitation on transit and overflights to the Middle East as well as on visits of nuclear ships to the naval base at Rota and other Spanish ports. The Socialists would probably give greater support than the current government to leftist regimes in the Third World and would be particularly interested in strengthening Spain's ties with Latin American and Arab countries. If—as appears likely—Spanish businessmen lost some of their enthusiasm for entering the Common Market and if the military grew dissatisfied with NATO and the bilateral agreement with the US—a somewhat less likely development—the moderating influence of those groups on the Socialists would decrease. Spanish foreign policy would become more erratic in that case—remaining formally aligned with the US, but flirting more with neutralist rhetoric and overtures to Soviet Bloc and nonaligned states.

At home, we believe the Socialists would begin by pursuing policies that are more moderate than those advanced by most other left-of-center parties in Western Europe. Their approach to controversial Spanish regionalism

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would include circumscribing the autonomy of the new regional governments by granting increased powers to the lower level provincial and municipal governments. In response to the demands of their leftist constituents, they would reverse the present government's emphasis by fighting unemployment more than inflation. The Socialists would pursue administrative reform, but their policies in that area would have only limited success in holding down an already oversized budget deficit and in deflecting radical demands for more ambitious social and economic engineering. The Socialists are also likely to legalize abortion and increase aid for public education at the expense of subsidies for Catholic schools.

A Socialist victory would alarm conservatives, particularly in the military and to a lesser extent in the business community, while raising unrealistic expectations among leftists. The military, church, and business community appear willing to give the Socialists a chance. But unless the Socialists hedge on what the party already sees as moderate policies, political and economic confidence could erode. If the Socialists' attempts at accommodation with conservative interests become futile, demands could develop on the party leadership to move to the left, a course that would increase political polarization and possibly give rise to a new round of coup plotting.

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The dramatic election victory of the Spanish Socialist Workers Party (PSOE) last May in Andalusia established the party in the eyes of political observers in Madrid as the front-runner in the 28 October national election. The party has drafted a platform pointed toward the middle-of-the-road voters it needs to win, but its programs mask important differences within the party that could resurface quickly after the election.

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**A Checkered Past**

The PSOE is the only major Spanish party with significant roots that go back to before the civil war of 1936-39. After Franco's death in 1975 this history and aid from northern European socialists and social democrats combined to help the party recapture the leadership of the left that it had lost to the Communists after the civil war. In 1977 and 1979, in Spain's first democratic elections in four decades, the Socialists established themselves as a broadly based mass party. Polling data indicated that PSOE voters, like party members, ranged from committed Marxists to moderate social democrats and Catholic reformers, but while party activists leaned to the left, the Socialist electorate tended more toward the center. PSOE voters in 1979 were almost evenly divided between the traditional working classes on the one hand and white-collar professionals, technicians, and small businessmen on the other. There was considerable overlap with the constituency of the victorious Center Democratic Union (UCD), although the UCD was stronger in northern rural areas and among practicing Catholics and the PSOE's strength was greater in the south and the cities.

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Despite progress, the PSOE in 1979 was still struggling to reconcile its radical past with the electoral exigencies of the more prosperous and complex society that had grown up since the 1930s.

Embassy contacts reported that party leader Felipe Gonzalez was convinced that the PSOE had to drop its commitment to Marxism to attract the decisive bloc of centrist voters. Controversy over that

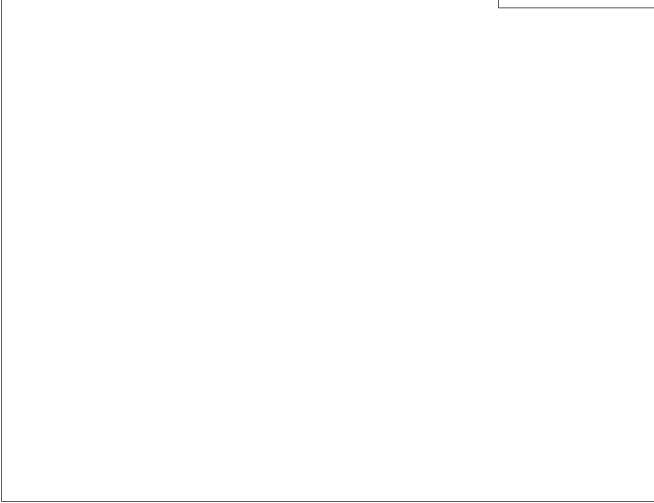
issue cut to the PSOE's core. The contrasting backgrounds of the leadership and rank-and-file members intensified the conflict. Many moderate leaders were university educated and middle class, whereas most of the more leftist rank and file were manual workers. Intellectuals excluded from the PSOE inner circle championed the discontented militants.

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It took Gonzalez's dramatic resignation and an extraordinary party congress to persuade the PSOE formally to abandon Marxism as an essential article of party doctrine. According to Embassy reporting, the absence of an alternative leader with stature and charisma contributed to Gonzalez's success. So, too, did the behind-the-scenes skill of Alfonso Guerra, the party's second in command. Although Guerra classified himself as a Marxist and had some sympathy for rank-and-file concerns, he supported Gonzalez's effort to reach out to the political center.

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We believe the PSOE under Gonzalez has generally conducted itself as a loyal opposition, but it has not been inhibited from engaging in backroom parliamentary intrigue to undercut the government.



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Finally, although the PSOE faces little threat from the Communists, the Socialists must worry about leftist regional parties because much of the PSOE vote comes from areas with strong regionalist sentiments. Indeed, disputes over regional autonomy, as reported in the press, have already badly split the PSOE in populous Catalonia, where the party drew much of its strength in the past two elections.

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**Electoral Prospects**

One major factor favoring the Socialists in the October elections is the deep, continuing decline of the UCD. Internal squabbling over personalities and power and the contending pulls of diverse constituencies have wracked that party and left it without a clear and convincing program. Inflation and high unemployment—both now running at nearly 16 percent—have also hurt the Center Democrats. In the regional election in May in Andalusia—Spain's largest region—the UCD received only 13 percent of the vote, finishing a distant third to the Socialists, who gained 52 percent. Recent polls, showing the Socialists with nearly twice the support of the UCD and the conservative Popular Alliance combined, confirm that the Andalusian outcome has national implications.

On balance, we believe that the PSOE can expect to run ahead of the approximately 30 percent of the vote it won in 1977 and 1979 and that it will probably top 40 percent. Spain's system of proportional representation makes it possible to win a majority of the seats with only a plurality of the vote, but the system is skewed toward rural areas where the Socialists are weak. Thus, we believe that even with 40 percent of the vote the PSOE could fall short of a majority in the lower house and would almost certainly lack a majority in the largely decorative upper house.

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Fratricidal infighting within the Communist Party is another plus for the Socialists.<sup>1</sup> With parties to each side of it in disarray, the PSOE is freer than in either previous national election to reach out for centrist voters. The Socialists' responsible role in opposition and its temperate policies, moreover, have been carefully crafted to appeal to just that segment of the electorate.

**After the Election**

Given this outcome, the PSOE could probably gain a solid legislative majority if it formed a coalition with the UCD or with other centrist and regionalist elements. Gonzalez has publicly ruled out an alliance to the left. Failure to find a partner, on the other hand, probably would not dissuade Gonzalez from trying to form a minority government. To have a chance of success at this, the PSOE would need to control at least 160 of the 350 seats in the lower house.

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We nonetheless believe that obstacles to a PSOE victory remain. Although public statements and some recent Spanish business publications suggest that the economic elites may be more resigned to a PSOE-led government since the Socialist election sweep in Andalusia, we believe a portion of the electorate is still concerned that to elect the PSOE is still, to an extent, to risk instability—with results ranging from a flight of business capital to an outright military takeover.

In the event that the Socialists receive much more than 40 percent of the vote—a possibility raised by recent polls—they might win an absolute parliamentary majority. Even then Gonzalez might offer key government posts to independents and centrist politicians to counterbalance leftists in his own party.

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<sup>1</sup> The Communists have been badly split between three principal tendencies: pro-Soviets favoring a highly centralized party organization, self-styled "renovators" advocating independence from the Soviet Union and internal party democracy, and supporters of party Secretary General Santiago Carrillo's disassociation from Moscow and maintenance of an authoritarian party structure. The conflict between these groups has distracted and discredited the Communist Party and reduced its ability to challenge the Socialists.

We believe that the party congress in October 1981 foreshadowed the shape and internal dynamics of a Socialist government as well as many of its potential political problems. Gonzalez carefully balanced the need to satisfy a moderate electorate with the need to mollify a predominantly leftist party membership. He

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reaffirmed his commitment to transform Spain into a socialist country but added that achievement of that goal would require at least 20 years. [redacted]

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[redacted]

Catalonia and the Basque Provinces—areas that provide much of its backing. The Socialists' dilemma is how to square the circle—to satisfy regionalist aspirations but to prevent autonomy sentiment from weakening the state or provoking the military. [redacted]

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To judge from the PSOE's public statements, its solution is twofold. On the one hand, the Socialists would leave the regions with significant home rule powers. On the other hand, the PSOE would circumscribe the regionalists by entrusting many programs to provincial and municipal governments. It might also discontinue the arrangement whereby the UCD has extended financial concessions to the regions in exchange for parliamentary support from regional parties, although emergence of a postelection pact with Catalan parties could prolong the practice. [redacted]

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Overall, careful management and the incentive of electoral victory produced what we view as a false sense of unity at the congress. The months before the election could prove to be Gonzalez's political honeymoon. Victory would mean that the leadership could no longer avoid hard policy choices or facing up to the gap between what the party's rank and file wants and what rightist power centers may be willing to tolerate. [redacted]

**Domestic Program**

In its initial months, we believe a PSOE-dominated government would tread carefully and would attempt to carry out the temperate policies Gonzalez has endorsed in opposition. The state's precarious finances and the reservations of the military about the Socialists would reinforce the government's commitment to gradualism, as would an alliance with centrists. Such an alliance would also provide a counterweight to the PSOE left, thereby increasing Gonzalez's freedom of maneuver. [redacted]

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The regional issue, in our opinion, will hurt the PSOE before as well as after the next election. The Socialists' dependence on votes from areas with strong regionalist sentiments makes them vulnerable to regionalist parties, which are more radical than the PSOE on many social and economic issues. Competing with the regional left before an election or working with it afterward could push the Socialists toward a stronger commitment to regional autonomy or toward more radical programs nationally.<sup>2</sup> Either development would risk confrontation with military and conservative opinion. [redacted]

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**Regional Policy.** In our opinion, one of the first and most serious issues facing a Socialist-led Cabinet would be regional autonomy. Few matters have aroused the military—and Spanish conservatives generally—more than the reemergence of regional nationalism and the advent of autonomous regional governments since the death of Franco. Originally a champion of the regionalist movement, the PSOE has developed strong second thoughts over the past two years. In fact, since the abortive military takeover in February 1981, the Socialists have actively cooperated with the UCD on legislation limiting the powers of the regional governments. On the other hand, the party still seems reluctant to defy the powerful grassroots support behind the autonomy movement in

**Economic Policy.** The Socialists would not initially attempt major changes in economic policy. [redacted]

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[redacted] in many instances we expect that they would merely continue existing programs. Indeed, press reports indicate that, along with broadened civil liberties, improving governmental efficiency would be an important emphasis of a

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<sup>2</sup> The Socialists' dilemma stems from the fact that the autonomous regions are an important subset of the national PSOE electorate. Catalonia and the Basque Provinces, in particular, are two of the most heavily industrialized areas of Spain, and among the more leftist. [redacted]

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Socialist government and one that we believe moderate Socialist leaders would try to use to deflect leftist pressure for more far-reaching reforms. But the PSOE argues that Spain must also reduce income inequalities, both between citizens and between regions. We believe a Socialist government would rely to a greater extent than the current government on transfer payments to promote a limited redistribution of wealth. [redacted]

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In the struggle against stagflation, public statements and Embassy reporting indicate that the Socialist party would reverse the current government's emphasis by fighting unemployment more than inflation. Last year the party called for a two-year, \$23 billion effort to reduce unemployment through expanded social services spending, with much of that money to be channeled through local and regional governments. The Socialists would also attack unemployment with extended schooling and restrictions on moonlighting. The party platform issued on 20 September declares that initiatives similar to these could create 800,000 new jobs. The Socialists have also promised to reduce corporate taxation, a move that—other things being equal—could encourage private investment. [redacted]

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Public spending increases would also tend to raise inflation above the current annual rate of 16 percent. The Socialists have argued, however, that official debt is relatively low and that Madrid could afford a 50-percent increase in the 1982 deficit—projected by the government at \$7.5 billion and 4 percent of GDP—to \$11.5 billion and 6 percent of GDP. In fact, this year's deficit will probably turn out to be \$10 billion, already over 5 percent of GDP. The Socialists also argue that the combination of greater increases in the money supply would depress interest rates, while increases in social spending would induce workers to moderate their wage demands. [redacted]

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As public concern with the size of the deficit has grown in recent months, the Socialists have tended—most notably in their platform—to play down the expansionary side of their program. To boost revenues, they are advocating a stronger effort against tax evasion and increases in the value-added tax and other indirect taxes. They also stress administrative reform—requiring government employees to meet the

same performance standards as private-sector workers and turning some services over to local governments. [redacted]

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Press reports indicate that PSOE economists have begun to attach greater importance to structural modernization of industry as a means to long-term prosperity and expanded employment. They are particularly interested in high-technology industries, arguing that the state should act as a catalyst for dynamic new enterprises. As part of that effort they would use the "privileged lending circuits" that private banks inherited from the Franco era to fund investment in promising small- and medium-sized firms. We believe the Socialists would also encourage foreign investment, although so far they have said little on this point. [redacted]

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Gonzalez has publicly disavowed sweeping nationalizations, telling party leftists that such radical action must await modernization of the bureaucracy—which could take decades. This line has not sat well with the leftists, however, and in February Guerra publicly contradicted the no-nationalizations pledge. Gonzalez is willing to consider some nationalizations, however, and the party platform calls for state takeover of the grid connecting separate electric power companies. Moreover, the PSOE is on record as favoring greater public-sector involvement in the food, pharmaceutical, coal, and electronics industries. [redacted]

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The Socialists are not united on energy policy, but Embassy reporting indicates to us that Gonzalez seems ready to heed majority sentiment in the PSOE against further development of nuclear power. To reduce dependence on imported oil, the party has promised government support for greater conservation and conversion to coal and gas. [redacted]

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#### Potential Pitfalls

**Economic Constraints.** The Socialists' *dirigiste* program would face substantial obstacles. Even now, double-digit inflation, high unemployment, and escalating budget deficits are feeding on each other. The combination of slow growth and rapidly rising prices

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has strained the social service system by simultaneously increasing outlays and reducing revenues. To keep the system solvent, the government has increased unemployment fund contributions for companies, further reducing their profits. The tax base has not expanded significantly in recent years, and deficits have risen to worrisome levels. In addition, the government's competition with business for capital has hampered private-sector growth.

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Despite the Socialists' growing awareness of the dangers of expanding the deficit and boosting inflation, they would feel obliged to implement key parts of their program. Such a course would, in our view, constitute a high-risk wager similar to the unsuccessful gamble undertaken by Mitterrand. The PSOE would be betting Spain's economic fortunes and its own political future on the notion that easy money would prompt a dramatic rise in business investment. It would be assuming that the payoff in employment, production, productivity, and—ultimately—tax revenues would offset the inflationary and balance-of-payments pressures stemming from a short-term expansion of the deficit.

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Such a program could not succeed without business confidence, and Gonzalez has recently tried hard to convince doubters of the PSOE's moderation. He has promised that a Socialist government would not substantially alter relations between government and business. In our view, however, Gonzalez's failure to force Guerra to recant on the nationalization issue did little to ease the apprehensions of businessmen and bankers. More recently, Guerra stated publicly that in preparing to take power, the PSOE has drafted measures to block capital transfers out of the country. Although several large banks have contributed to the party, the stock market has fallen sharply since August when the election was announced. Business uncertainty would increase the odds against the Socialist program.

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Military pressure to increase defense spending would, we believe, deepen the problem. According to Embassy Spain's generals do not wish to be NATO's poor relations, and a Socialist government would be even more concerned than the present one about maintaining the military's good will. Finally, the Socialists would also have to persuade labor

not to regard a PSOE victory as a green light for higher wage demands; indeed, in our view labor would have to accept falling real wages for a time if the Socialists' program is to work.

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**Challenge From the Right.** We also believe that the PSOE's controversial social programs are likely to work against the consensus the party must have. The Socialists have somewhat mollified the Church by calling for legalization of only limited categories of abortion. Many Church officials, however, continue to be worried by the Socialists' commitment to secularize public school curriculums and expand public education at the expense of parochial schools—especially at the secondary level.

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The armed services, we believe, would raise problems on another front. Guerra created a furor earlier this year when he charged that the court martial of those implicated in the coup attempt of February 1981 was a farce. The military would be angrier still, according to Embassy if it thought the Socialists were interfering in such matters as military organization, troop stationing, and membership in NATO. Press reports indicate that the PSOE is seriously considering a sweeping reform of the military justice system—a step that would raise hackles in many barracks.

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[Redacted]

Moreover, Embassy contacts indicate that the Socialists' efforts to establish a dialogue with the military have largely failed.

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The PSOE would also have to contend with the widespread conviction in rightist circles, that a Socialist government was in itself destabilizing. Rightists would tend to see a Socialist victory, not the passing of Franco, as the first true change between "ins" and "outs" in Spain. The military, the Church, and large business interests have influence and power far beyond the limited

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number of votes they command, and the Socialists could not easily govern in the face of their sustained opposition. [redacted]

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**Challenges From the Left.** At the same time, Gonzalez would have to tread carefully in dealing with the PSOE left and with the Socialist trade unions. Most of the Socialist party's moderate programs are the result of difficult and incomplete victories of middle-of-the-roaders close to Gonzalez. We suspect, moreover, that the Communist Party and the trade unions linked to it would exert pressure on the PSOE, seeking to bolster their own positions by making demands that a Socialist government would have to reject. Although the umbrella Socialist General Union of Workers (UGT) is closely tied to the PSOE, the party may not be able to prevent rank-and-file trade unionists from falling into line behind aggressive Communist leadership if labor-management relations worsen significantly. Indeed, even now the UGT leadership has begun to put distance between itself and the PSOE in order to preserve its credibility in coming trade union elections. [redacted]

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#### Outlook

A PSOE-led cabinet faced with these problems might try to substitute the rhetoric of change for its substance. Such a tactic might work for a while. We believe, however, that eventually it would heighten tensions in the PSOE and produce recriminations similar to those afflicting the current UCD government. But a PSOE government's internal divisions and shifts in course would raise political temperatures more than the UCD's current decomposition has. Gonzalez could come under increasing pressure to drop his moderate policies and to join with the regional leftist parties and even the Communists. In short, nearly a half century after the civil war, we believe the possibility lingers that a victory by the Socialist party—now avowedly moderate—could lead to the political polarization of Spain. By that time, not only would factionalism be intense within the PSOE, but a centrist coalition partner would come under pressure to defect and bring down the government. The government's rightist or center-right successor, we believe, would not be made much more stable. [redacted]

Pressure for extraconstitutional action would build within the military and other segments of the traditional establishment if the PSOE clung to power and reversed course on regionalism or if it turned sharply to the left by inviting the Communists into the government, nationalizing major economic sectors, or reverting to the language of class struggle and anticlericalism. By then the military would probably be making increasingly public demonstrations of concern, which, if unheeded, could escalate into coup plotting. We think the Socialists can avert that outcome and maintain the old establishment's acceptance of the constitutional system as long as they are firm on regionalism and keep terrorists on the run and the left within bounds. Gonzalez's record in overcoming adverse circumstances suggests to us that, even if the economy should deteriorate and political tensions rise, he would be able to meet these basic conditions for keeping democracy on track. [redacted]

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#### PSOE Foreign Policy: Implications for the United States

In the short term, we believe that Felipe Gonzalez's commitment to moderation and to amicable, if not close, relations with Washington means that his party's policies in government would be less radical than its stated positions in opposition. Gonzalez, who enjoys unrivaled popularity and stature within his party, would be the principal maker of foreign policy in a Socialist-led government. Letting pragmatic considerations as well as ideology shape his thinking, he would in our view be an important barrier to a major foreign policy reorientation. His moderation would be reinforced from several different directions: from European socialists and social democratic leaders with whom he has close ties; from his potential centrist coalition partners; and from conservative power centers, especially the military and business communities, who would exert behind-the-scenes influences. [redacted]

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Over the longer term, however, we are concerned that pressure both within and outside the PSOE could grow during the next several years to loosen Spain's recently developing ties with the West. Gonzalez, with his well-honed political skills, can probably keep all

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except the worse combination of domestic and international pressures from producing dramatic diplomatic shifts. But given Gonzalez's own genuine, if temperate, leftist predilections and the pitfalls his government would face, Spain under the PSOE could drift back into the schizoid diplomacy of former Prime Minister Suarez—remaining formally aligned with the West while building informal ties with the Third World and nonaligned states and lapsing intermittently into ill-considered neutralist or pacifist rhetoric. [redacted]

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**A Traditionalist Approach.** In many respects we believe the Socialists in the beginning would tend to pursue traditional Spanish diplomatic objectives—good relations with the United States, Latin America, and Arab states, closer ties with Western Europe, and repatriation of Gibraltar. They are part of the national consensus embracing Common Market entry. Publicly and privately they have indicated that they would continue the effort to build special relationships with Latin America and the Middle East, particularly the attempt to use diplomatic and cultural ties to advance trade relations. Whereas the present government has had good relations with conservative and centrist regimes in those areas, the Socialists would probably try to emphasize closer ties with leftist states. They would also be more opposed to Israeli military initiatives and territorial expansion. [redacted]

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Gonzalez would use his prominence in the Socialist International (SI) to promote Spanish interests. In particular, he would rely on the limited leverage that that tie provides to seek support for EC entry and international cooperation against terrorism as well as stable energy supplies from Algeria and other leftist producer countries. The SI tie is reciprocal. [redacted]

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Gonzalez has repeatedly criticized the spread of "totalitarianism" in the Third World, and in comments to US officials and in behind-the-scenes actions at home and in the SI he has demonstrated increasing concern about Nicaragua's slide to the left. Nor

would Gonzalez be inclined to lower Spain's military defenses. Better relations with the armed forces and the Socialist goal of bringing them under firmer civilian control have led the PSOE to champion military modernization. [redacted] 25X1

**Bilateral Issues.** At a minimum, we believe the United States will find a PSOE-led cabinet sometimes hard to work with, even in the opening phases of its tenure. Although party spokesmen have privately signaled to US officials that they are generally inclined to accept the recently negotiated bilateral agreement as a "given" and find it more acceptable than earlier arrangements, public statements and off-the-record conversations with Socialist leaders indicate that the party may try to renegotiate the agreement's references to Spanish participation in NATO. Past party statements suggest that the Socialists may also push for coproduction of military materiel, lower interest rates on FMS (Foreign Military Sales) credits, and the freedom to use US financial assistance to purchase military equipment from non-US suppliers. Even after accepting the agreement, the PSOE would probably be more restrictive than the current government on US use of bases in Spain and particularly prickly on questions involving US operations in the Middle East or US nuclear deployments. They would also be likely to reexamine the current government's decision to purchase the F-18, but the military's 25X1 strong public endorsement of that \$3 billion deal would make them move cautiously. [redacted]

We believe that the Socialists would not necessarily regard a bid for US concessions on these points as inconsistent with decreased Spanish cooperation on security issues. Given press reports of the widespread belief among Spaniards in Spain's importance to the United States, the Socialists might conclude that somewhat greater assertiveness might jolt Washington into becoming more forthcoming. We suspect, moreover, that the Socialist leadership could see a tougher stand on bilateral issues as a "no lose" proposition. If the United States acceded to nationalist demands, including increased assistance for the armed services, the Socialists would strengthen their credentials with the military. And a rebuff might

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accomplish the same result: the PSOE and the military might move closer together as they each became more independent of Washington. [redacted]

**NATO Membership.** A similar dynamic could occur with respect to NATO membership, which the PSOE opposes. Opinion polls indicate that Spain's recent entry into the Alliance was unpopular with many Spaniards. [redacted]

[redacted] The Socialists have publicly pledged to hold a referendum on continuing in NATO, while privately sending out inconsistent signals to US officials on the seriousness of that commitment. [redacted]

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We believe one way the Socialists could try to defuse military unhappiness with their intervention in what many officers see as an essentially military affair by delaying the referendum, while seeking Alliance backing for Spanish military modernization, repatriation of Gibraltar, and security guarantees for the North African enclaves of Ceuta and Melilla—matters of importance to the armed services and to rightists generally. Should Spain not receive significant concessions, the Socialists might at least decide to keep Spain out of the NATO military command structure. [redacted]

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**The USSR.** We believe that the PSOE if in power would persist in its disconcerting habit of sending alternately warm and cold messages to Communist Bloc countries. They have exchanged high-level visits with Soviet and East European Communist parties. Even if the PSOE were to accept entry into NATO, the party would probably continue occasional overtures to the East in an effort to assuage its own left wing and to widen the divisions within the rival Communist Party. [redacted]

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The PSOE leadership, however, has a strong sense of the USSR as an expansionist, totalitarian power. The Socialists eagerly took the lead away from other Spanish leftists in denouncing the Soviet invasion of Afghanistan and the Polish regime's imposition of martial law. Prominent Socialists have also spoken

[redacted]

privately to US officials of their fear of Soviet support for separatist movements in the Basque provinces and the Canary Islands. Gonzalez himself recognizes that in the split between West and East, Spain belongs in the Western camp. His unenthusiastic but unequivocal identification with the United States is reflected in his statement that he would "rather be stabbed going into a subway in New York than live 30 years in Moscow." [redacted]

**Opportunities and Risks.** There is, nonetheless, a potentially dangerous contradiction in the Socialist party's—and Gonzalez's—world view. Although acknowledging the Soviet threat, the party tends in our opinion to regard efforts to counter it, such as nuclear rearmament and support for the Salvadoran Government, as undermining peace. Many Socialists, particularly on the party's left, publicly blame the United States for what they call the "militarization of thought" in the postdetente era and still see the Soviet challenge as distant. The PSOE's years in underground opposition to Franco also color its views on US policy. To many Socialists, the United States remains the country that supported the regime that repressed them for nearly four decades. They have argued widely that Washington now misjudges events in the Third World in much the same way it did earlier in Spain. Specifically, they contend that the United States "bets on the wrong horse" by supporting narrowly based forces of reaction, a course that drives reformers into the arms of Moscow. [redacted]

In our view, a more independent Spanish diplomacy under the PSOE would create opportunities as well as problems for Washington. While Spain would distance itself from some US positions, it would also see itself as a bridge between the West and the Third World. Gonzalez would claim to be particularly well suited to play that role in parts of Latin America and North Africa. He and other PSOE members in the past have offered to intervene on behalf of the United States in Chad and Nicaragua, partly out of concern with developments in those countries and partly out of desire to curry favor with Washington. [redacted]

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Such benefits might not outweigh the liabilities that would accompany the Socialists in power. But the value that Gonzalez places on good ties with Washington leads us to think that the United States could probably obtain at least his limited cooperation over the short term on high-priority NATO and bilateral defense issues. In return, Gonzalez might expect the United States to understand his need to throw at least rhetorical bones to his party's left wing on secondary issues such as the peace movement and Third World radicalism. [redacted]

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We are nonetheless concerned that, over the longer term, the advent of a PSOE government could increase the potential for serious difficulties in US-Spanish relations. Long a marginal factor in great-power diplomacy, neutral in the two World Wars, and largely isolated from the rest of Europe under Franco, Spain is not as firmly linked to the West as most NATO and OECD (Organization for Economic Cooperation and Development) states. Moreover, because the Spanish military and perhaps a centrist coalition partner would limit the Socialists' freedom of maneuver in the domestic sphere, Gonzalez might find it necessary to pacify leftists with feistiness in foreign policy. If—as seems likely—the government's domestic program should worsen the economic situation, Gonzalez could try to distract the electorate with showy, independent foreign policy initiatives. [redacted]

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The risk of such moves would grow if the conservative power centers that would otherwise serve as a check on the PSOE became disillusioned with Spain's Western ties. The failure to obtain increased US military aid for continued US use of bases in Spain has, [redacted] already upset senior military commanders. Their concern might deepen should the PSOE agree to full participation in NATO, because Alliance membership could bring painful organizational adjustments—particularly for the Army. NATO membership will involve greater financial costs and fewer modernization benefits than many military leaders may have thought. Discontent will be particularly strong if NATO entry does not improve prospects for repatriation of Gibraltar or if the Alliance fails to help Spain fend off North

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African challenges to its hold over the Canary Islands and the enclaves of Ceuta and Melilla. The surge of Spanish support for Argentina in the Falklands dispute underlines the tentative nature of Spain's identification with its new European allies. [redacted]

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Indeed, it is conceivable that traditional opposites—military officers and the PSOE left—could someday make common cause. The Socialists have often tried to portray leftist positions as defending Spanish honor. A PSOE government might make Spain's continuance as a full NATO member and US ally contingent on greater financial support for the Spanish military. Whatever success they had in that bid, indeed their effort alone, would please many in the military. Allied rebuffs to outsized demands, on the other hand, would justify the more independent diplomacy sought by party leftists. Only last spring, the Socialist party made a theatrical bid to delay entry into NATO pending resolution of the Gibraltar issue and the Falklands conflict. [redacted]

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Spanish difficulties with the European Community would further increase the possibility of such developments. Frustration will grow in Spain if the Community continues to stall on Madrid's application. But many foreign observers believe, contrary to public opinion in Spain, that should Madrid actually enter the EC on or soon after the 1984 target date, the adjustment process would be painful, protracted, and likely to produce an anti-Community backlash. [redacted]

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## Appendix

### Who Would Be Who in a Socialist Government

A Socialist-dominated cabinet would experience the strong tug of contending interests. Felipe Gonzalez, by virtue of his centrist leanings as well as his recognition of the need to placate rightist power centers, would probably staff key ministries with moderates and technocrats—individuals upon whom he has relied to develop Spanish Socialist Workers Party (PSOE) policies in the past. Economic portfolios, for example, would probably go to professional economists, with Miguel Boyer, Joaquin Almunia, and Carlos Solchaga strong contenders for major posts and Javier Solana, Enrique Baron, and Pedro Bofill candidates for lesser posts.

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The politically sensitive Defense Ministry might fall to moderate parliamentarian Luis Solana or Social Democrat Felix Pons, the latter mentioned as a prospect for the Justice Ministry as well. Recent press speculation has also raised the possibility that Gonzalez might assume the defense post in addition to the premiership. In any case, Miguel Bueno Vicente could be a strong candidate for an important secondary defense post. Gonzalez's former law partner, Manuel Chaves, could be a prime prospect for the Labor Ministry, although Carlos Corcuera, a protege of UGT (Socialist General Union of Workers) chieftain Nicolas Redondo, might also be a candidate. Gregorio Peces-Barba, an academic and former Christian democrat who enjoys good relations with conservative politicians, is the front-runner for President of the lower house Congress of Deputies. Cabinet moderates and members of an informal kitchen cabinet including Miguel Boyer and international affairs adviser and longtime confidant Elena Flores, would be the clubbish clique surrounding Gonzalez in government

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More independent figures, both from within and outside the PSOE, would probably also receive cabinet posts. Suarez's former Deputy Prime Minister for Economic Affairs, Enrique Fuentes Quintana, could be brought back in a move to build business confidence. Current head of the Democratic Alliance Party and former UCD Finance and Justice Minister, Francisco Fernandez Ordonez, might return under a Socialist-led government to one of his earlier posts or to the Foreign Ministry. University professor Jose Maravall would be a solid prospect for either the Education or Culture Ministry, while Catalan economist Ernest Lluch and Basque lawyer Jose Maria Benegas, both moderate parliamentarians closely identified with Gonzalez, might be tapped for the ministry dealing with the regional autonomy process. Benegas could be a candidate for the Justice Ministry as well.

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The need to keep the leftist bulk of the Socialist party supporting him, as well as the dearth of capable individuals to staff the government, would lead Gonzalez to hand some ministries to individuals such as Joaquin Leguina, who either do not have strong ties with him or who have been uncomfortable with the party's increasingly centrist course. As Gonzalez demonstrated at the party congress, he

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would probably be careful in choosing the issues on which he would buck the left—leaving moderate ministers occasionally unsupported and forced to retreat when they veered too far from the party's base. Alfonso Guerra might receive an important governmental post—possibly as a minister in the Prime Minister's office—in addition to his party post, but in any event would continue to influence party policies and to voice rank-and-file dissatisfaction.

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