

77-6905

MEMORANDUM FOR: Mr. Robert Gallagher
Office of National Security
Department of the Treasury

The attached memorandum is in response to your request of 23 March for a paper for Secretary Blumenthal on the current Spanish political situation.

/s/ Stansfield Turner

STANSFIELD TURNER
Admiral, U.S. Navy
Director of Central Intelligence

Date 28 MAR 1977

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~~SECRETARY OF THE TREASURY~~ *Treasury*

DDI # 1230-77

25 March 1977

MEMORANDUM

SUBJECT : Overview of Spain

1. Spain has come a long way in a remarkably short time. During the 16 months since Franco died the country has shrugged off most of the trappings of his moribund dictatorship and moved purposefully toward establishing a western-style democracy.

2. The single most important factor in the relatively smooth transition has been the widespread popular support for peaceful change and the nearly universal desire to avoid excesses that could lead to another Civil War.

--The opposition has by and large behaved responsibly.

--The self-styled "civilized" right has accepted the inevitability of change.

--The die-hard Francoists of the far right have turned out to be ineffectual and few in number.

--Even the security forces have shown comparative restraint.

3. King Juan Carlos has also played a major role. Though he withdrew early in his reign from the public political arena, he remained active behind the scenes, and when the Arias government bogged down last summer moved quickly and decisively to replace it with a younger team less associated with the Franco era. Juan Carlos was reportedly instrumental in winning crucial military support for the new government, and he has gradually replaced die-hard rightists

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in the military leadership with men who are more in tune with the liberalization effort. The King's boldest stroke to date, his appointment last July of a young, relatively unknown minister to the prime ministry, has been an unqualified success. An extremely able politician, Adolfo Suarez has adroitly balanced demands of the left and right while pushing ahead vigorously with the reform program. The King seems to have given Suarez considerable latitude to act on his own, but they consult frequently and the Prime Minister probably clears all major decisions.

4. The reform process has gathered momentum since the new government took office last summer. Carefully working through the Francoist institutions in order to make the reforms more palatable for a broad range of the political and military establishment, Suarez and his cabinet have:

- Secured the backing of the military for their reform program.
- Opened a dialogue with the leftist opposition, drawing them into the political process for the first time since the Civil War.
- Persuaded the hide-bound Francoist parliament to vote itself out of existence.
- Won overwhelming popular endorsement through a national referendum in mid-December.
- Legalized the major non-Communist political parties.
- Amnestied most of the remaining political prisoners.

5. Suarez' chief concern now is to maintain the momentum and make sure that the election takes place as planned. Three major issues--aside from the economy, which may pose the most urgent problem of all--are preoccupying the government as it enters the homestretch.

6. Terrorism: The government weathered a series of terrorist attacks by both the far right and the far left in January, as well as the kidnapping of two prominent officials. More terrorist attacks are likely during the next two months, as the ultra-right makes a last ditch effort to derail the

reform process and provoke a military coup while splinter groups on the far left pursue similar tactics to bring about a popular uprising. The government has demonstrated its ability to contain sporadic violence without overreacting. An added complication, however, is uncertainty about the reliability of the security forces, many members of which sympathize with and reportedly support rightwing terrorists.

7. Communist Legalization: In an attempt to mitigate the political impact of the decision on legalizing the Communist Party, the government has turned the party's application over to the Supreme Court. A verdict will probably be delivered by mid-April. Though now given a legal veneer, the decision is basically political and it could have profound repercussions.

8. If the party is rejected, Communists could still participate in the election as "independents," but the fragile bond of cooperation between government and opposition would be jeopardized. Banning the party would cast doubt on the democratic qualifications of the election--especially if some other leftist parties were to pull out in solidarity--and weaken the ability of the next government to tackle the pressing and difficult issues that it will face as soon as it takes office.

9. Legalizing the party, on the other hand, would increase the likelihood of rightwing violence in the pre-election period and raise the specter of unrest in conservative quarters of the military and security forces. The military is loyal to the King, however, and will reportedly accept a court decision. The odds now slightly favor legalization of the party before the election.

10. Regionalism: Basque and Catalan demands for autonomy have been shelved by the government--in the face of military opposition to any weakening of the central authority--until after the parliamentary election. Catalan nationalists seem willing to bide their time, but tension remains high in the Basque provinces which have been the scene of sporadic violence against the government for many years. Concessions by the Madrid government on relatively minor issues will probably

keep the lid on until the election, but unless the new government moves quickly to tackle the central issue of granting more autonomy to the regions, sustained violence and disorder is likely to break out again.

11. A genuinely free legislative election for a bicameral parliament with constituent powers now seems assured. No date has been set, but it will probably take place in June. Predictions are exceptionally difficult in a country that has not had free elections in over 40 years, but the election seems likely to produce a centrist majority in the proportionately elected lower house (this house will be more important--and also less conservative--than the upper house).

12. The true test of whether democracy will work in Spain will come when this new parliament tries to cope with the serious problems it will inherit and sets about rewriting the constitution.

13. Suarez, who is far and away the most popular figure in Spain today, will probably carry on as Prime Minister. He has not yet announced whether he will run in the election--he need not since he would in any case be appointed by the King--and if he decides to do so it will probably be in order to rally the fragmented centrist coalitions and boost their appeal. The base for his working majority in the next parliament will be a disparate alliance of Liberals, Social Democrats, Christian Democrats, and other centrists who will probably control some 40-50 percent of the seats. To gain an absolute majority, the Prime Minister will probably have to rely on support from moderates in the rightist alliance--which may garner 15-30 percent of the seats--or on leftists--who will probably win a similar share of seats--depending on the issue at stake.

Blue note from DCI to Robert Gallagher, Treasury,
transmitting paper: "Overview of Spain"

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Treasury Secretary Blumenthal is seeing a "senior Spanish official" on 31 March. On 23 March, he asked, via Bob Gallagher of Treasury's Office of National Security, for a memo summarizing the Spanish political situation. Gallagher specifically said he did not need anything on the economic side. Gallagher needs the memo by opening of business, 28 March, at the very latest.

Date 25 March 1977

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