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Southern Europe: Socialists in Government

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An Intelligence Assessment

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*EUR 84-10196
October 1984*

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Southern Europe: Socialists in Government [Redacted]

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An Intelligence Assessment

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This paper was prepared by [Redacted] with
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**Southern Europe: Socialists
in Government**

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Key Judgments*Information available
as of 28 September 1984
was used in this report.*

The advent of Socialist-led governments in France, Spain, Italy, Portugal, and Greece has put an end to decades of conservative or rightwing rule while marking a transformation of southern European socialism. The parties now have become mass-based catchall groupings whose support comes not only from workers and leftist intellectuals, but increasingly from the middle class of white-collar private-sector employees and civil servants, who tend to favor reformism over orthodox socialism. As a result, most of the parties have jettisoned Marxist rhetoric and would find it difficult—and perhaps politically suicidal—to revert to a more dogmatic stance.

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Except in Portugal, the parties won election by pledging major change, but their domestic and foreign policies in office often differ little from those of their predecessors:

- The failure of French President Mitterrand's initial expansionist experiment set a powerful negative example for other socialist governments. Italy, Spain, and Portugal are now pursuing austerity programs of varying severity.
- In foreign affairs, the French, Italian, and Portuguese parties have generally taken a strongly pro-NATO stance. They sometimes criticize US policies in the Third World, but they actively support Western countermeasures to the Soviet military buildup. This is especially true of the French party, which is substantially more assertive toward Moscow than was the Giscard administration.
- The Spanish party has halted Spain's military integration into NATO, and its intentions regarding future military cooperation with the Alliance remain unclear. The Socialists are working, however, to keep Spain in the political wing of the Alliance and have supported INF deployment.
- In terms of rhetoric—and some foreign policy initiatives—the Greek Socialists remain more troublesome than the others, but internal and international constraints have forced them to back away from their former extreme positions on issues such as NATO, the EC, and US bases in Greece.

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According to several opinion surveys in the five southern European countries, most voters believe their governments have brought little basic change and failed to solve basic economic problems. As a result, many of those who voted for the Socialists now are disillusioned. In general,

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however, those who would consider abstaining or voting for another party in the next election are swing voters rather than hardcore Socialists upset with their governments' moderation. The swing voters are much more likely to opt for the center-right than for the extreme left, and at least in France they would return the conservatives to power were elections held now. Hence, Socialist-led governments have more political incentive to make their moderate economic programs work than to adopt more radical approaches.

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The socialist record has been mixed on issues of direct importance to the United States. Except in Greece, the Socialist-led governments have supported key NATO initiatives but criticized US policies in areas such as Central America. Indirectly, the Socialists have promoted US interests by limiting Communist influence and strengthening support for democratic rule in southern Europe.

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In the near term, the Socialists are unlikely to change their generally pragmatic foreign policies, which are not a major cause of voter discontent at present. Anxiety about new weapons programs or bilateral disputes with the United States on issues such as base arrangements, however, could fuel anti-US sentiments within the parties and among the general population. In this case, the other Socialist-led governments would be tempted to follow the Greek Socialists' example of playing up their differences with Washington in order to shore up their own popularity.

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Contents

	<i>Page</i>
Key Judgments	iii
Introduction	1
Socialist Ideology	2
Social Base	2
Socialist Promise: The Call for Change	3
Socialist Performance: Emphasis on Continuity	4
Domestic Policies	7
Foreign Policy	9
Public Views of Socialist Performance	10
Little Change	11
Disillusionment With Socialism	11
Prospects	11
Near-Term Policies	11
Longer Term Perspectives	12
Implications for the United States	13

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Southern Europe: Socialists in Government

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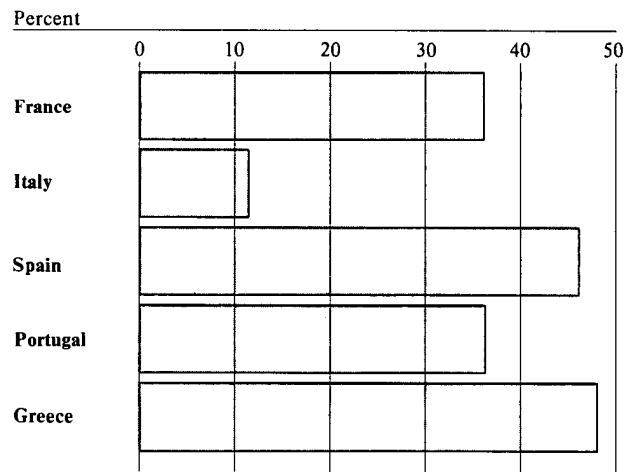
Introduction

A series of socialist election victories in the early 1980s has transformed the political map of Western Europe. While center-right parties rule in most of northern Europe—where Socialists traditionally have been strong—in much of southern Europe socialist parties have come to power for the first time in decades:

- In May 1981, the French Socialist Party won its first national election since the Fifth Republic was founded in 1958.
- The Panhellenic Socialist Movement (PASOK) replaced a conservative government in Athens in October 1981 to become Greece's first socialist administration.
- In December 1982, the Spanish Socialist Workers' Party formed a government for the first time since the 1930s.
- In August 1983, Italy's first postwar Socialist Party prime minister formed a coalition government with the Christian Democrats and three small lay parties.
- In addition, the Portuguese Socialist Party, which was in office from 1976 to 1978, formed a government with the more conservative Social Democrats in June 1983.

The performance of these governments has reversed the poles of European socialism. Until the late 1970s, academic studies contrasted the pragmatism of northern European socialist and social democratic parties with the orthodoxy of the southern Socialists. At present, however, the French, Italian, Portuguese, and Spanish parties are stressing moderation at home and abroad, while their British, Swedish, and West German counterparts are proposing more radical approaches in defense, foreign affairs, and some economic areas. This contrast is due in part to the fact that most northern parties are out of power while those in the south now must cope with the responsibilities—and constraints—of governing. But it also arises from basic changes in the internal balance of power in these parties that have made leftist factions predominant in the north and placed moderates at the helm in the south.

Socialist Parties: Percent of Vote in Last National Elections



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For the most part, the policies of southern European socialist governments differ modestly from those of their more conservative predecessors, especially in the economic realm. Only the French Socialists implemented a radical economic program—much of which they subsequently abandoned. Only the Greeks have taken a dogmatic approach—at least rhetorically—to foreign affairs.

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This paper analyzes the promise and performance of the governing socialist parties in southern Europe. It examines their ideology and social base, their social, economic, and foreign policies, and their current standing in public opinion. Finally, the paper assesses the implications of socialist rule for the parties' future and for US interests.

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Socialist Ideology

In general, the social and economic programs of the four Latin parties have evolved similarly to those of their northern European counterparts. In the early postwar period, northern European socialism was primarily a militant working-class movement stressing nationalization and central economic planning. By the early 1960s, however, socialist parties such as the West German SPD began to emphasize socialization of consumption rather than production. Income redistribution and Keynesian economic management, they concluded, could mitigate the "evils" of private ownership. To achieve power, they also became mass-based catchall parties, appealing especially to the new middle class of white-collar employees. The French and Italian parties underwent a similar evolution in the 1960s and 1970s, while the Portuguese and Spanish Socialists followed suit in the late 1970s. [redacted]

The Greek party differs from the others in some respects, in part because it is much newer. Prime Minister Papandreou founded the Panhellenic Socialist Movement in 1974 as a coalition of disparate political and social forces that had opposed the colonels' dictatorship. So far, the party has relied on Marxist rhetoric, appeals to nationalism, and its leader's charismatic personality much more than the other southern European socialist parties. In some ways, however, it may have begun to enter the Socialist mainstream. The party now grudgingly accepts Greek membership in NATO and the EC, for example, and cooperates with the other socialist parties in the European Parliament. [redacted]

Southern European parties continue to face some longstanding internal tensions on both domestic and foreign policy despite their ideological evolution—and in some cases because of it:

- Socialist economic policies have increased the size and power of the state. Strong currents within the parties, however, favor various forms of economic decentralization and self-management. In addition, greater state control of the economy at least potentially threatens the individual rights long championed by Socialists.

- In foreign policy, Socialists have long stressed peace, international solidarity, and the dangers of the arms race. At the same time, most of the parties contain strong nationalistic, anti-Communist, and anti-Soviet elements. As a result, the parties are often sharply divided over policies toward the Soviet Union and cooperation with domestic Communists.

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National peculiarities and experiences cause major differences among the parties, especially in foreign policy. The French Socialists, for example, have inherited the Gaullist legacy of independent nuclear forces and aspirations to a leading world role. The Portuguese Socialists are adamantly anti-Soviet, probably in part because of their conflicts with the Stalinist Portuguese Communist Party in the aftermath of the 1974 revolution. The Greek party is harshly critical of the United States and NATO because of their putative responsibility for the 1967 military takeover and perceived support of Turkey in the Cyprus and Aegean disputes. [redacted] 25X1

Social Base

The gradual broadening of most parties' social base has reinforced their more pragmatic and moderate approach. It also will make it difficult for them to change course and adopt more radical policies. Traditionally, the French and Italian parties were alliances of unionized workers and Marxist intellectuals opposed to "bourgeois capitalism." Like their northern European counterparts, French and Italian Socialists generally were weak among the middle and upper classes, women, and Roman Catholics. Their class appeal diminished in the 1950s and 1960s, however, as prosperity weakened class divisions and center-right parties gained among the workers. In response, they increasingly deemphasized Marxism, stressed common interests of manual workers and white-collar employees, and successfully appealed to Christians and women. The Spanish and Portuguese parties, which had been small groupings of largely middle-class emigres during the authoritarian regimes, similarly broadened their popular appeal in the late 1970s while retaining working-class support. The Greek 25X1

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party began as a collection of primarily young, middle-class leftists but has increasingly attracted farmers and industrial workers by stressing nationalism and social change. [redacted]

Recent opinion surveys confirm the Socialists' broad electoral appeal in all five countries. Socioeconomic differences between socialist and center-right electorates are often only moderate. To be sure, manual workers are much more likely to have voted for the Socialists than for the center-right in the last French, Portuguese, and Spanish national elections, according to the polls. White-collar employees also tended to support the Socialists in Portugal, however, and were about evenly divided among the Socialists and the center-right in France and Spain. The smaller Italian party received only a minority of votes among all occupational groups, but its strength is virtually even among workers, white-collar employees, and high-status professionals, according to a recent survey. [redacted]

The Socialists also have broad support across other demographic categories, according to the polls. Socialist strength is fairly even across age groups except in Italy, where the Socialists do less well among those under 30. In France, Italy, Spain, and Portugal, the Socialists polled about equally among men and women. In general, socialist and center-right voters in these countries are about equally likely to be in the lowest third of the population in terms of income. But, while a higher proportion of center-right voters have high incomes, Socialists are more likely to be in the middle third. [redacted]

Socialist Promise: The Call for Change

The Socialists' major campaign theme was the need for political, social, and economic change. The Spanish party's slogan, for example, was *por el cambio* (for change), while the Greek party's was simply *allagi* (change). After decades of conservative or rightwing rule, the Socialists offered different faces with a distinctive style and—they claimed—new ideas. Only the Portuguese Socialists suffered the disadvantage of having governed recently—from 1976 to 1978—with only a lackluster performance on the economy. [redacted]

Socialist Parties: An Expanding Social Base

Since the 1960s, most of the socialist parties have become much more representative of their countries' populations as a whole. In particular, the growing "new middle class" of civil servants and employees in emerging industries has provided increasing electoral support:

- *In France, for example, opinion polls show that 45 percent of the country's middle-class employees and civil servants voted socialist in the 1981 National Assembly election, as compared with below 30 percent in 1978 and 1973 and 15 percent in 1968. The middle-class share of the socialist vote increased only slightly, however, because the party also greatly bettered its performance among workers—largely at the Communists' expense.*
- *In Spanish national elections between 1977 and 1982, the Socialists markedly increased their following in traditionally conservative rural provinces and among centrist white-collar employees.*
- *The Italian Socialists receive well over half of their support from the middle class, according to recent opinion polls. A study published in 1982 showed that the Socialists had significantly increased their strength among white-collar employees since the mid-1970s while losing working-class support.*
- *Since the 1974 revolution, the Portuguese Socialists have striven to be a mass-based party. According to various studies, the party's core supporters tend to be in the urban middle class, but the Socialists are also strong among peasants and industrial workers.*
- *PASOK demonstrated a strong appeal across classes and regions in the 1981 national election. According to opinion surveys, 48 percent of voters in both urban and rural districts voted for PASOK, and it polled virtually as well among upper-middle-class voters as among unskilled workers.* [redacted]

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To many voters, "change" meant improvement of the economy. The worldwide recession was the conservatives' major handicap, according to various polls and press reports. The Socialists highlighted their promise to strengthen the economy, particularly to fight unemployment. The French party, for example, promised to stimulate employment through government fiscal and investment policies, and to create 150,000 jobs directly in the public sector. The Greek party pledged to revitalize the economy by socializing key industries and redistributing wealth to lower paid workers. Remedies for the economy in the other countries, however, were not particularly socialistic. The Spanish party's plan for creating 800,000 jobs over four years relied primarily on subsidies and tax breaks to encourage private investment. The Italian Socialists advocated holding public spending constant in real terms and promoting technological innovation in the private sector. The Portuguese stressed that austerity and economic sacrifice would be necessary.

In addition, the Socialists promised an assortment of social and political reforms. The French and Greeks, for instance, pledged to loosen central government control over localities and regions. The Italian Socialists proposed several institutional innovations to strengthen the presidency and increase Cabinet stability. All five parties endorsed various reforms regarding labor relations, the penal system, women's rights, and education. The proposed reforms reflected traditional leftist concerns for equality and social justice, but few were distinctively socialistic. Indeed, some proposals, such as political decentralization in Greece and France, inherently conflicted with traditional socialist objectives of reducing regional disparities and increasing central government control of the economy.

On foreign policy, the parties' positions reflected national as much as ideological concerns. In general, parties in France, Italy, Spain, and Portugal strongly criticized Soviet military and external policy, but also urged greater West European independence from the United States. The Spanish party condemned Madrid's entry into NATO and demanded a national referendum on the question. The Greek party was stridently critical of the United States in the pre-election period, particularly of Washington's military

aid to Turkey, and called for the closing of US bases on Greek soil. By the time the election was held, however, Greek Socialists had already moderated their demand for complete withdrawal from NATO and the EC.

The parties' emphasis on ideology varied widely. The French Socialists—along with their Communist allies—pledged to "break with capitalism" and spoke of a "new vision" for the French political and economic system. The Greek Socialists used a blend of Marxist and nationalistic rhetoric. In Spain, by contrast, the Socialists had explicitly renounced Marxism in 1979; in the 1982 campaign, they called for realism and moderation. The dominant factions in the Italian and Portuguese parties likewise distanced themselves from Marxism and urged pragmatic policies, particularly for the economy.

Socialist Performance: Emphasis on Continuity

In office, the Socialists have instituted little fundamental change. In our opinion, the recession that helped bring them to power ironically also prevented the attainment of their more radical objectives. In particular, the need to limit ballooning budget deficits has ruled out major new spending programs, and the recent modest economic upturn has only slightly lessened this constraint. In foreign policy, France, Portugal, and Italy have generally pursued a strongly pro-NATO course. The Spanish Government has dropped its opposition to membership in the Alliance, although it has frozen Spain's military integration in NATO at least temporarily. Even the Greek party's stridently anti-US rhetoric and troublesome antics mask a moderation of its positions toward NATO and the United States.

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Table 1
Southern Europe: The Socialist Record

	Promises	Performance
France		
Economy	Nationalize private banks and nine industrial groups	Achieved in early 1982.
	Reduction of working time, increase in minimum wage	Introduced fifth week of paid vacation and 39-hour workweek in January 1982; increased minimum wage repeatedly, although by less than the inflation rate.
	Progressive wealth tax	Passed in December 1981; now proposing cuts in income and business taxes.
	Various government measures to "re-launch the economy"	Strongly expansionary fiscal policies in 1981 and early 1982; austerity measures since June 1982 including limits on social spending, price increases for public services, deflationary monetary policies.
Social and political reforms	Abolition of death penalty	Passed in October 1981.
	Right to vote in municipal elections for immigrant workers with five years residence	Abandoned.
	Moratorium on new nuclear power plants and referendum on the subject	Abandoned.
	Decentralization of the state	Executive powers transferred from prefects to local elected assemblies; powers of prefects primarily limited to coordination between Paris and localities.
	Creation of a Basque province	Abandoned.
Defense and foreign policy	Progressive and simultaneous disarmament to abolish military blocs	Slow rate of growth in defense spending; increased military cooperation with NATO; proposals to revitalize Western European Union.
	Withdrawal of Soviet SS-20s and cancellation of US Pershing II deployment	Strong support for Western INF deployment; refusal to include French forces in INF negotiations.
Italy		
Economy	Deficit reductions through spending limits and crackdown on tax evasion	Abandoned 1983 deficit target; 1984 deficit will almost certainly expand in absolute terms and as percentage of GDP.
	Creation of public-sector jobs	Few public service jobs created.
	No specific commitment regarding wages	Reductions in automatic wage indexation system.
Social and political reforms	Direct election of the president; 5-percent barrier for parties' representation in Parliament; various measures to strengthen the prime minister's position	Craxi has formed an "inner Cabinet" to increase the government's decisionmaking flexibility; reforms of parliamentary procedures to reduce small parties' ability to block legislation.
	Limitations on public service strikes, especially in transportation	No action yet.
Defense and foreign affairs	Supported NATO's dual-track INF decision	Deployed INF beginning November 1983.
	Criticized US policies in Central America	Little criticism of US actions.

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Table 1
Southern Europe: The Socialist Record (continued)

	Promises	Performance
Spain		
Economy	Create 800,000 jobs over four years	No net job creation so far; pushing unions to accept real wage cuts.
Social and political reforms	More public control over religious schools	Created councils representing parents and local governments to oversee private schools.
	Liberalization of abortion	Accomplished.
	Continue process of regional devolution	Limited transfer of administrative powers to the region, but general slowdown of devolution.
Defense and foreign affairs	Referendum on NATO membership	May hold referendum in 1985; government working to keep Spain in the political wing of the Alliance.
	Spanish accession to the EC	Negotiations aiming at Spanish accession on 1 January 1986.
Portugal		
Economy	Open banking and insurance to private participation	Law passed July 1983.
	Repeal government ceiling on wage increases	Passed in June 1983.
	Limit government spending; no major new social programs	Limits on state expenditures and other austerity measures demanded by International Monetary Fund.
Social and political reforms	Various measures to improve urban living conditions (health, housing, crime, consumer protection)	Has proposed anticrime and antiterrorist legislation.
Defense and foreign policy	Speedy negotiation of US base renewal	US lease of Lajes Air Base in the Azores renewed in December 1983.
	Promote EC accession	Progress on negotiations for EC entry, scheduled for 1 January 1986.
Greece		
Economy	Expansionist fiscal policies	Increased public spending, especially on social programs and public-sector wages.
	Tax and wage adjustments to redistribute income	Sharp increases in minimum wage; full inflation indexing for lower paid public servants; higher business and indirect taxes.
	"Socialize" key sectors of the economy	Introduction of management councils in public-sector industry representing workers, local governments, and the state; some nationalizations.
Social and political reforms	Full church-state separation	Introduced civil marriage against the opposition of much of the orthodox clergy.
	Ease restrictions on political refugees living in Communist countries	Accomplished December 1982.
	Abolish private schools	Enacted measures that make it more difficult for private schools to function effectively.
	Decentralization of the state	Created provincial councils with planning and budgetary powers; weakened position of central government representatives to the regions.

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Table 1 (continued)

	Promises	Performance
Defense and foreign affairs	Move toward abolition of military blocs	Proposal for Balkan nuclear-free zone; strong criticism of NATO policies, including INF; no move to withdraw from the Alliance.
	Remove US bases and nuclear weapons from Greece	Signed five-year renewal of base agreement with Washington in 1983.
	Referendum on EC membership	No referendum or moves to withdraw from EC; extraction of special concessions from Brussels regarding import restrictions and development aid.

[Redacted]

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Domestic Policies

The *French Socialists* came to office on a wave of euphoric optimism, and—to judge by their actions and public statements—believed they had a historic opportunity to transform French society. Indeed, President Mitterrand's first year in office saw a bold attempt to realize socialist objectives. Within less than 12 months, the government had implemented much of its economic program, including:

- Nationalization of nine major industrial groups and of the remaining private French-owned banks.
- Creation of 125,000 public-sector jobs.
- Introduction of a 39-hour workweek with no pay reduction, addition of a fifth week of paid vacation, and an increase in the minimum wage.
- Increases in unemployment benefits, family allowances, and various other social programs.
- Imposition of a progressive tax on wealth. [Redacted]

Mitterrand's initial economic program was an unmitigated failure. His strongly expansionary fiscal policies in 1981 and early 1982 increased the already large budget deficit and—since the increased purchasing power injected into the economy was spent primarily on imports—also increased trade deficits, foreign borrowing, and pressure on the franc. In addition, socialist policies pushed up consumer prices at a time when inflation in France's major trading partners was rapidly decreasing. In response, Mitterrand shifted to a policy of "rigor." An initial austerity package in

June 1982, followed by more stringent measures in 1983, imposed new taxes and constraints on public spending. This change of course marked a strong rebuff to the Communists and leftwing Socialists, who called for greater state intervention to limit imports, inflation, and unemployment. Mitterrand now is pursuing an ambitious program to modernize France's aging industrial infrastructure by cutting subsidies and forcing layoffs in inefficient sectors such as shipbuilding and steel—a major reason the Communists cited for leaving the coalition in July. [Redacted]

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Mitterrand's failure set a strong negative example for other socialist parties. The *Spanish Socialists*, for instance, took office in December 1982 determined not to repeat the French mistakes, according to press accounts. The Gonzalez government has used nationalization only in two exceptional cases, offered subsidies and credits to private investors, and held down overall public spending. The Socialists are also pursuing an industrial "reconversion" program that will eliminate jobs in overmanned sectors such as shipbuilding and steel while promoting investments in new technologies. To create new jobs, the government is also pressing the unions for wage restraint and reducing employers' social security contributions. Unemployment has increased since the Socialists took office, but inflation has declined and real GDP has grown at a modest rate. [Redacted]

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The *Portuguese Socialists* imposed a severe austerity program shortly after taking office, as they had promised during the campaign. The government—a coalition with the Social Democrats—devalued the currency, raised petroleum prices, and virtually eliminated subsidies for basic foodstuffs, causing their prices to increase sharply. The coalition later suspended public-sector investments and abandoned some projects altogether. In October 1983, the government announced further budget cuts as well as tax and price increases. To modernize the economy, Prime Minister Mario Soares has opened banking and insurance to private ownership, returned part of the farmland seized during the revolution to the original owners, and announced a plan to restructure various public-sector enterprises. So far, Soares has been able to reduce the government and current account deficits, but inflation has accelerated because of price increases for government-subsidized goods. GDP fell last year and is expected to decline further in 1984, however, because of the government's austerity program, and unemployment has increased since the Socialists took office. Soares now is promising to shift to more expansionary policies in 1985 to promote economic recovery. [redacted]

The *Socialist-led Italian Government* has also introduced several austerity measures, but the budget deficit is still increasing. Economic policy requires agreement among the five coalition parties, and Prime Minister Bettino Craxi's Socialists have reluctantly accepted the need for austerity. The government has reduced a variety of social benefits, implemented a partial freeze on wage indexation, and scaled back plans to create public-sector jobs. The government now is proposing gradual increases in the retirement age and a crackdown on tax evasion by small businesses and professionals. Compromises among the coalition partners and with the Communists, however, have watered down many of the budget-cutting measures. Inflation has declined and moderate export-led economic growth has resumed since Craxi took office, although unemployment has risen slightly. According to the US Embassy in Rome, this modest economic upturn has caused Craxi and most of the coalition partners to feel less pressure to reduce the still-growing budget deficit. [redacted]

The *Greek Socialists* have been more reluctant to embrace austerity, but they have been forced to water

down their original objectives. After taking office in October 1981, they interpreted their promise to "socialize" the commanding sectors of the economy to mean the establishment of supervisory councils in public-sector industries representing employees, local governments, and the state. The party has generally limited nationalizations to financially troubled companies, although it also has taken over several firms it accused of illegal foreign exchange transactions. At the same time, the government has tried to redistribute wealth by raising business taxes, easing credit for small businesses and farms, and rapidly increasing public spending, especially on wages and social services. As a result, private investment has fallen while government deficits and inflation have remained high. Fearing adverse political repercussions, the government has not followed the other socialist governments in imposing across-the-board austerity. Instead, it has turned to greater state interventionism—including price, profit, and import restrictions—to control inflation and the growing current account deficit. [redacted]

All five governments have also instituted various social and political reforms, particularly ones with little budgetary cost. The governments probably hope the changes will refurbish their socialist image and offset criticism of their economic policies and performance:

- Mitterrand, for example, has abolished capital punishment and secured passage of laws protecting foreign workers' rights. This summer, however, he was forced to withdraw legislation increasing state authority over religious schools. To promote decentralization of the state, the government has transferred numerous administrative powers from Paris to elected regional assemblies.
- The Spanish Socialists have loosened restrictions on abortion, eliminated penalties for some forms of drug possession, and reduced the amount of time a person can be held in jail pending trial. A rising crime rate, however, is putting pressure on the government to undo some of its penal reforms.

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- The Portuguese Socialists' major social innovation has been to legalize abortion. The government now is pushing antiterrorist legislation that would permit telephone tapping, other surveillance methods, and search and arrest without warrant when urgent action is required. Many socialist backbenchers fear infringements of civil liberties, however, and Parliament probably will weaken many of the law's provisions.
- Craxi has introduced several institutional innovations in an attempt to make the Italian political system more effective. For instance, he has established a "Cabinet Council" of major ministers to make key decisions and has streamlined parliamentary procedures to prevent obstruction by small minorities. The Socialists' minority position in the Cabinet, however, has limited their ability to implement major social reforms.
- The Greek party has lowered the voting age, introduced civil marriage, eased restrictions on divorce, reformed the bureaucracy, and modernized the universities. It also has transferred some planning and budgetary powers to elected regional councils. In December 1982, Papandreou eased restrictions on the return to Greece of exiles living in Communist countries since the Greek civil war. [redacted]

Foreign Policy

We believe that foreign policy in the five southern European socialist countries reflects both ideological tensions and international constraints. All five parties stress their traditional commitment to disarmament and peace, but most also see the need for Western countermeasures to the Soviet military buildup. Further, except in Greece, strong anti-Communist strains coexist with pacifist tendencies in Western socialism, according to many academic studies: Socialists see Soviet-style Communism as a perversion of Marxism, and many stress traditional Russian expansionism. Moreover, Socialists have experienced Soviet machinations against them in their often bitter rivalries with national Communist parties. Hence, socialist governments are torn even more than others between a desire for detente and distrust of Soviet foreign policy. In many cases, they have sought other areas in which to demonstrate traditional socialist internationalism.

[redacted]

One result, we believe, is a tendency to play down East-West rivalry in the Third World—especially when few West European interests are involved. The socialist governments have condemned the Soviet presence in Afghanistan, but they criticize perceived US overreactions to the Soviet role in areas distant from Western Europe such as Central America and southern Africa. French Foreign Minister Cheysson, for instance, has repeatedly attacked US aid to Nicaraguan contras and rejected the linkage of Cuban withdrawal from Angola to Namibian independence. Paris has cooperated with the United States, however, in areas where it has greater historical and economic ties, including Lebanon and, until recently, Chad. [redacted]

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In East-West relations, France, Italy, and Portugal have generally taken a strongly pro-Alliance stance. Mitterrand, for example, has been tougher than his predecessor in limiting high-technology exports to the Eastern Bloc, while Craxi and Soares also accept COCOM restrictions. All three leaders have supported key Western initiatives on security:

- Mitterrand departed from his conservative predecessor's policy by strongly backing Western INF deployment and publicly denouncing Soviet human rights abuses. He has worked to reinvigorate the Western European Union (WEU) as a means of strengthening West Europe's defense cooperation, enhancing its influence with Washington, and countering any West German drift toward neutralism.
- Craxi upheld Italy's commitment to deploy INF beginning in November 1983, and he has strongly endorsed French efforts to revive the WEU.
- Soares has consistently affirmed strong support for the Alliance—a stance arousing little controversy in Portugal. Last year, he renewed the treaty allowing US military bases on the Azores. [redacted]

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The Spanish Socialists' position on NATO is more ambiguous. The Socialists strongly opposed Spanish entry into NATO in 1982, and upon taking office they

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froze Spain's military integration into the Alliance. Prime Minister Gonzalez, however, has decided not to seek withdrawal from NATO's political wing, probably in part because he believes this would harm Spain's relations with the rest of Western Europe and with the United States. Gonzalez has postponed the promised referendum on NATO membership at least until 1985 and, according to press and US Embassy reporting, is working hard to assure an outcome allowing continued political membership in the Alliance. Gonzalez has stressed, however, that Spanish integration into NATO's military structure remains frozen. The US Embassy in Madrid is uncertain whether the government will maintain the option of gradual de facto military integration in the future.

The Spanish Socialists have also been ambiguous on other NATO issues. Gonzalez has repeatedly rejected neutralism and endorsed a Spanish contribution to Western defense. He has stated publicly that he understands the need for NATO's Pershing II and cruise missile deployment, although he has not supported INF as vocally as have Mitterrand and Craxi. At the same time, Gonzalez has stressed Spain's continued rejection of nuclear weapons on its soil. According to the US Embassy, some elements of the Spanish leadership favor movement toward closing US bases in Spain in order to "balance" a positive decision on NATO membership. Spain has dissented from some NATO declarations, including a statement last May blaming the Soviet Union for the deterioration of East-West relations. Further, the Gonzalez government is resisting US urgings to join COCOM and to restrict its exports to Cuba.

The Greek Socialists have opposed a series of Western political and defense initiatives. In early 1982, Papandreou refused to participate in Western economic sanctions against the Polish Government for its imposition of martial law, and he has consistently opposed NATO's INF deployment. In September 1983, Greece blocked an EC condemnation of the Soviet Union for its destruction of the Korean airliner. Papandreou has repeatedly called for a Balkan nuclear-free zone, which—since there are no nuclear warheads in Romania, Yugoslavia, or, according to most Western experts, Bulgaria—would entail NATO's unilateral removal of atomic weapons from

Greece and Turkey. Moreover, the Prime Minister often is given to provocative rhetorical flourishes designed to appease his more leftwing supporters. At a party congress in May 1984, for example, Papandreou denied that the Soviet Union is an imperialist power while calling the United States the "metropolis of imperialism."

The Greek party's bark, however, exceeds its bite. The Socialists have shelved earlier promises to withdraw from the Alliance, although Greece refuses to participate in NATO exercises in the Aegean pending agreement on new command and control arrangements involving Greece and Turkey, and has recently canceled a joint exercise with the US Army. Similarly, Papandreou has dropped his call for withdrawal from the EC, accepting instead a package of concessions from Brussels including greater development assistance and a more gradual phaseout of various barriers to imports. Greece remains in COCOM, although its role there is very minor. In 1983, Papandreou signed a base agreement with Washington which—contrary to his public assertions—does not foresee the automatic closing of US facilities after the treaty's expiration in 1988. Indeed, the Papandreou government's terms differed little from those offered by its predecessor. Fear of increasing Turkish influence in NATO and the need for Western economic and military aid are major reasons for this moderation, in our judgment. In addition, Papandreou is probably trying to appease the largely pro-Western military establishment and appeal to centrist voters as well as moderates in his party.

Public Views of Socialist Performance

Pluralities of people in all the countries except France appear to believe that socialist governments do not differ greatly from their center-right predecessors in either foreign or economic policy. Disillusionment with socialist performance is widespread, particularly among swing voters who supported the socialist parties in their countries' last national elections.

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Little Change

According to a variety of public opinion surveys in Italy, Portugal, and Spain, pluralities see only slight differences between socialist and nonsocialist domestic policies. In Portugal—whose socialist party is generally more conservative than its counterparts in the other countries—a large minority sees none at all. A majority in one French poll last January says the government's domestic policies differ greatly from its predecessors'—but the polling took place before the latest round of budget cuts and layoffs in state-owned industries. Nationwide polling is scarce in Greece, but pluralities of greater Athens residents surveyed in July 1983 said the Papandreou government had kept its promises in social but not in economic policy. [redacted]

Even fewer respondents see change in socialist foreign policies. In recent Italian, Portuguese, and Spanish polls, pluralities say socialist foreign policies are only slightly different from those of preceding nonsocialist governments, and only small minorities see more substantial differences. In the poll of greater Athens residents, a plurality—and an overwhelming majority of nonsocialists—said the government has not kept its promises in foreign policy. In a recent French poll, however, almost half of the respondents see quite a bit of change in socialist foreign policy. In our view, this probably reflects the Mitterrand government's hard line in East-West relations more than its differences with Washington on some Third World questions, since the Giscard administration also emphasized France's "special relationship" with less developed countries but was markedly less assertive toward the Soviets [redacted]

Disillusionment With Socialism

The policies of socialist governments have alienated many socialist supporters, according to the polls. In recent French, Portuguese, and Spanish polls, a larger share of those who voted socialist in the last national election than of those who voted Communist and center-right say they may abstain or switch parties in the next election. These results do not necessarily indicate future election outcomes, but they do suggest that socialist parties in these countries risk alienating more of their supporters than they attract from other parties. In Italy, by contrast, Prime Minister Craxi's Socialists may have picked up some support, according to a recent survey. [redacted]

Not surprisingly, economic policy appears to be the biggest cause of disaffection. In France, Italy, Spain, and Portugal, pluralities of those who voted Socialist say economic policy is the aspect of government performance of which they most disapprove. In Greece, a survey of Athens' residents published last February showed that 94 percent thought the government should give priority to domestic issues, particularly unemployment and inflation. In a July 1983 Athens poll, almost 80 percent expressed little or no satisfaction with the government's handling of the economy. [redacted]

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Various polls make clear that respondents disillusioned with socialism tend to be uncommitted centrist voters rather than dogmatic Socialists upset with their governments' moderation. They tend to criticize government for failing to change national policies, rather than for changing them in wrong directions. In France, Italy, Spain, and Portugal, disillusioned respondents are much more likely than others to say governments differ little or not at all from their predecessors in domestic policy. [redacted]

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According to the US Embassy in Athens, the Greek Socialists have suffered major erosion in middle-class urban areas but generally have maintained their strength in large working-class districts and in most rural areas. The results suggest that, as in the other countries, those who change their vote from the Socialist party tend to be relatively uncommitted centrist voters upset with government economic policy and likely to switch to center or center-right parties. Hardcore Socialists, by contrast, are probably remaining loyal to the Papandreou government because of its uncompromising rhetoric and its frequently dogmatic approach to foreign and domestic policy. [redacted]

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Prospects**Near-Term Policies**

For the next year or two, the Socialist-led governments face the challenge of appearing simultaneously innovative, competent, and principled. Most owe their

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election to their call for change, and their generally cautious domestic and foreign policies have alienated many erstwhile backers. At the same time, radical approaches—particularly in economic policy—would almost certainly alienate much of the middle class, whose electoral support is crucial. We believe this dilemma reflects the broad but fragile basis of support for the Socialists in the last elections. According to our analysis of opinion surveys, middle-class swing voters opted for the Socialists in hopes of improving the economy and from an often ill-defined desire for change, not in order to support orthodox socialism.

The Socialists have few options for resolving their dilemma. Both economic constraints and public opinion tend to rule out traditional Socialist approaches such as massive nationalizations. Socialist-led governments will be tempted to switch to expansionary economic policies as elections draw near, but even this could backfire by rekindling inflation and creating the impression of economic bungling.

On balance, we believe most of the five governments are unlikely to change their basic policies over the next year or two. The Portuguese have promised to ease up on austerity next year, and the French, Spanish, and Italian Governments may also somewhat loosen fiscal and monetary policies before the next elections. At the same time, however, the four governments have staked their reputations on structural reforms designed to stimulate private investment and hold down public spending. Moreover, these governments' economic policies are beginning to show results: current account deficits and inflation are declining, and, except in Portugal, economic growth has picked up. The governments still have some time for their policies to succeed because parliamentary elections are not required until 1986 in France and Spain, 1987 in Portugal, and 1988 in Italy. Despite a deteriorating economy, the Greek Socialists are unlikely to embrace austerity programs similar to those of the Latin socialists, in part because a national election is due by 1985 and may take place this year.

To enhance their electoral prospects, the Socialist-led governments still must try to highlight their commitment to change. Leftists in the parties might succeed in forcing strongly expansionary economic policies

despite the political and economic risks. We consider it more likely, however, that most of the governments will modify their economic programs only slightly while stressing cheaper and more popular innovations in social policy: greater social equality; women's rights; and reforms in education, the penal system, and the civil service. In addition, the French and Greek Governments will probably continue to stress their commitment to reducing the national state's power over regional and local administrations.

Longer Term Perspectives

Even beyond the next elections, the diversity of the socialist electorate will tend to rule out radical class-based economic policies. The Socialists' support comes increasingly from the middle class, which often favors some social reforms but opposes radical income redistribution. In many cases, middle-class support allows socialist governments to reject the demands of working-class constituents. The Socialist-led governments in France, Italy, Spain, and Portugal, for example, have rejected labor union criticism of their austerity measures and industrial restructuring. The Greek Government has severely limited the right to strike in public enterprises despite union opposition.

If policies do generally remain moderate, as we expect, the parties could undermine their core sources of support. The Socialists' pragmatic economic management, if successful, would almost certainly enhance their appeal to swing voters, but at the cost of blurring their distinctive image among their hardcore supporters. The Socialists' following would temporarily be larger, but also more prone to defect to more conservative parties as soon as economic conditions worsen. Communist and other leftwing parties, in the meantime, would probably attract many socialist voters upset at their parties' abandonment of traditional objectives.

To counter this electoral erosion, the Socialist-led governments will be tempted to abandon austerity efforts and adopt new spending programs. The socialist Prime Ministers have embraced austerity reluctantly, and they or their successors will face pressure

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for expansionary policies and greater social spending designed to appeal to the middle class. In particular, if modest economic growth continues in the late 1980s—which we consider probable—socialist governments may allow government spending to rise again as a proportion of GNP. At the same time, high unemployment—which probably will continue despite economic growth—may induce new social programs and attempts to stimulate the economy. [redacted]

Implications for the United States

The socialist record is mixed on issues of direct interest to the United States. In general, the Socialists in office have been much more sensitive to US interests on subjects such as INF and US bases than their preelection rhetoric would have suggested. At the same time, they are often more critical of US policies than were their center-right predecessors, especially on Third World issues. The record varies widely, however, among the countries and according to the specific issue (see table 2). In general, the Portuguese and Italians have been the most responsive to US interests while the Greeks have been the least accommodating. [redacted]

Indirectly, the Socialists have promoted US interests by limiting Communist influence and strengthening support for democracy in southern Europe. By appealing to leftist and working-class voters, the Socialists compete directly with the Communists. With the possible exception of Italy, socialist gains have come in part at Communist expense. At the same time, the socialists' generally moderate policies have eased the anxiety of some business and military elements that might otherwise have supported antidemocratic forces in Spain, Portugal, and Greece. [redacted]

The low salience of foreign policy means that the Socialist-led governments will have little near-term incentive to abandon their basically pragmatic approach to world affairs. Most of the socialist governments will probably continue to criticize US policies in the Third World—in part to placate their hardcore voters, who in all five countries are more likely than center-rightists to say their countries are generally too close to the United States. Policies toward the United States are not, however, a major cause of disillusionment among those who voted socialist in the last national election, according to a variety of polls in the

Latin countries. Partly as a result, the Latin Socialist-led governments can afford to support US policies on arms control and East-West relations, sometimes more vocally than their more conservative predecessors. Only the Greek Socialists are likely to remain at odds with Washington on a broad range of Alliance issues. [redacted]

This moderation could decrease over the longer term—but probably more because of national than ideological concerns. Major debates about chemical weapons, space-based nuclear forces, or new NATO nuclear arms modernization efforts, for example, could rekindle anxiety about the arms race among Socialist supporters and in the general public. In addition, bilateral economic or political disputes with Washington could fuel anti-US sentiment. The US military presence in Spain, Portugal, Italy, and Greece, for example, contains the potential for various disputes concerning compensatory payments and base arrangements. Trade issues, especially in textiles, steel, and agriculture, are a continuing source of tension between the United States and all five southern European countries. [redacted]

If disputes with Washington increase, southern European governments would be tempted to demonstrate their independence from Washington by denouncing US policies or urging major arms control concessions. Except in Greece, however, the Socialist-led governments may be no more prone to criticize Washington on key East-West issues than their conservative and Christian Democratic counterparts in northern Europe: the Socialists are less vulnerable to the charge of being US puppets, and they need to appeal to generally pro-US centrist voters. The Greek Socialists, by contrast, would probably react by hardening their stance toward Washington in order to satisfy widespread nationalistic and anti-US sentiments. [redacted]

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Table 2
Socialist-Led Governments and US Interests

	France	Italy ^a	Spain	Portugal	Greece
NATO	Maintained independence from NATO integrated command; improving capabilities to cooperate with NATO in early phases of a conflict	Strong supporter of most NATO initiatives	Froze Spanish military integration in NATO; favors continued membership in political wing of Alliance	Supports Alliance but low defense spending limits participation	Unresolved problems concerning full participation in NATO military structure; refuses to participate in NATO exercises in the Aegean because of perceived Alliance tilt toward Turkey.
INF	Strongly supported INF deployment; insist on keeping own nuclear forces out of INF negotiations	Began cruise missile deployment	Expressed "understanding" for need to deploy INF	Supported INF deployment	Vocally opposed INF deployment.
US bases	No US bases in France	No major problems concerning NATO and US facilities	May propose more limited US use of bases even before current treaty expires in 1988	Renewed US bases in Azores; permitted stationing of satellite-tracking site in southern Portugal	Five-year renewal of US bases in 1983.
Soviet Union	Strongly critical of human rights practices and policies in Afghanistan and Poland; support East-West trade	Generally critical of Soviet human rights and foreign policies; skeptical of economic sanctions	Criticize Soviet foreign policy but rejected NATO statement blaming Soviets exclusively for the arms race	Strongly critical of Soviet foreign and military policies	Little criticism of Soviet foreign policy; did not participate in Western sanctions against Soviet Union for its role in Poland and blocked EC condemnation of USSR for KAL incident.
Central America	Sold arms to Nicaragua in 1981; has criticized US policies in Nicaragua and El Salvador; now increasingly disillusioned with Sandinistas	Little criticism of US policies	Support Contadora initiative	Generally support US policies; critical of Sandinistas	Critical of US policies.
Middle East	Participated in Lebanese MNF and in Red Sea/Gulf of Suez minesweeping	Participated in Lebanese MNF and in Red Sea/Gulf of Suez minesweeping	May establish diplomatic relations with Israel; trying to improve economic ties with Arab states	Close ties with Israel; trying to improve relations with Arab states; may allow PLO to open office in Lisbon	Recognized PLO as sole representatives of Palestinians in 1981; has sought to improve relations with Arab states.

^a Italy's Foreign Minister is a Christian Democrat, and Prime Minister Craxi's Socialists are a minority in the Cabinet.



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