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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

Special Report

Spain: A Future Without Franco



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SPAIN: A Future Without Franco



Special Report

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24 March 1972



Crowd at Franco's 35th Anniversary

As the end of 79-year-old Chief of State Francisco Franco's rule approaches, he is seeking to ensure that his system of government will continue after him. Although Franco over the years has allowed some mellowing of the harsher aspects of his authoritarian rule, he has not and will not tolerate basic changes in the government he designed for Spain. There are dissident elements in Spanish society, but after 35 years in power Franco retains the support or acquiescence of the majority of Spaniards. Franco has taken limited—but relatively significant—steps to prepare for the succession.

Framework for the Future

In 1967, Franco promulgated a new constitution to construct a framework for transition from his more than 35 years of personal rule. By separating the posts of chief of state and chief of government, the new constitution calls for a division of the powers that Franco now holds. Although it contains other provisions that could lead to a gradual liberalization of the regime, the Caudillo has not put them into effect.

Chief of State

In 1969, Franco exercised his prerogative under the new constitution and named Prince Juan Carlos of Borbon to be king when Franco dies or is incapacitated. Juan Carlos, a grandson of the last king, Alfonso XIII, was required to swear to uphold the constitution and the prin-

ciples of Franco's National Movement, the sole legal political organization in Spain. In effect, Juan Carlos pledged to carry on the present regime under a monarchical framework.

Franco could still reverse this decision but he is unlikely to do so, in part because it has the support of military leaders who regard the monarchy as a stabilizing influence and who do not wish to see a post-Franco power struggle. Therefore, Juan Carlos is likely to be sworn in as king within three days after Franco dies or is declared incapacitated. Although some government leaders feel that the transition would be smoother if Franco resigned now as chief of state, the Caudillo ruled out that possibility in his 35th anniversary speech last fall.

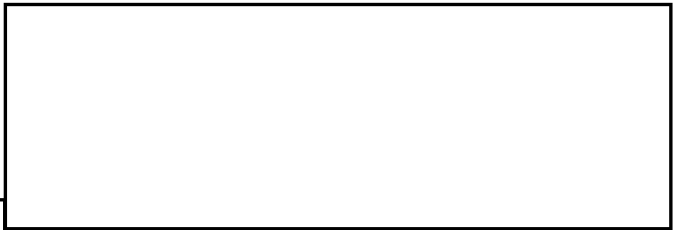
The populace greeted Juan Carlos' designation as future king with indifference. Franco had kept the young prince in the background. There has been little enthusiasm for the re-institution of a monarchy from people who cannot recall a chief of state other than Franco. In earlier years, some observers rated the prince as a lightweight with few opinions of his own. More recently, this lack of public or private pronouncements has been ascribed to the prince's recognition of the limits placed on him by a situation requiring that he not antagonize Franco or others in the establishment. There is now a growing feeling that Juan Carlos has matured in his role as king-designate. Fewer jokes are bandied about in Madrid these days as to how long he is likely to

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reign. On 1 October last year, with approximately one million Spaniards assembled in Madrid to celebrate the 35th anniversary of Franco's rule, the Caudillo referred to the fact that after his own demise Juan Carlos would carry on as king. The statement drew thunderous applause.

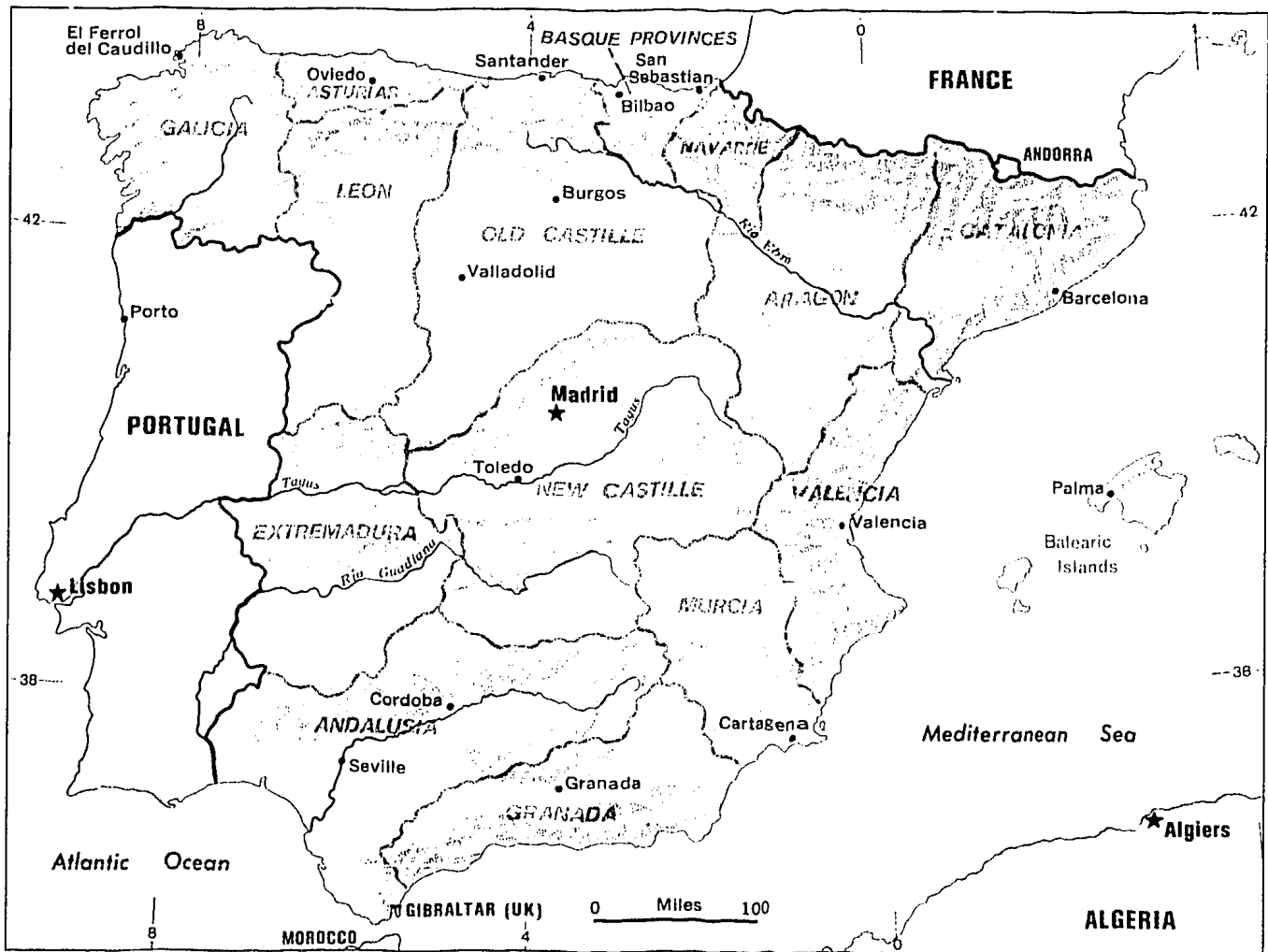


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Any tendencies toward liberal rule that Juan Carlos may hold are likely to be checked by the

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Historic region boundary



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marriage on 8 March of Franco's eldest granddaughter to Prince Alfonso of Borbon, who is also a grandson of the late king Alfonso XIII. The presence in the wings of a well-connected, more conservative prince will make Juan Carlos cautious.

Cabinet

In addition to designating Juan Carlos as next chief of state, Franco in 1969 shook up his cabinet. Given his age and tendency to hang on to familiar faces, Franco's cabinet choices were an important move to prepare Spain for the future. This cabinet probably will carry the country into the post-Franco era. In choosing the new cabinet, Franco departed from his habit of balancing power among key groups. Instead, he assigned the

greatest number of posts to economic specialists associated with the semi-secret Catholic lay organization, Opus Dei. These technocrats give economic modernization and a loosening of state economic controls priority over political liberalization. They are European-minded and wish to increase Spain's ties with Europe. They are, therefore, willing to support cautious political liberalization in order to improve Spain's stature abroad.

Opus Dei members insist that they are not subject to central political guidance from their leadership and that the society is devoted exclusively to spiritual goals. But critics still charge that Opus Dei is intent on controlling the nation's economic, political, and educational life. The society has attracted a wealth of managerial talent and Franco, recognizing Spain's need for such



Franco at Granddaughter's Wedding to a Prince

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skills, has kept the Opus Dei — dominated cabinet in spite of pressures to drop it. Such pressures intensified in the wake of the Matesa financial scandal, in which large sums of export credits granted by the government allegedly were misused by officials of the company. Several Opus Dei officials were implicated, and this damaged the society's reputation for probity. Ultimately, three former Opus Dei ministers were indicted, but the present foreign minister and the minister of education were cleared.

To counteract the loss of prestige from the Matesa case, the technocrat faction in the cabinet decided to expand its influence by working for the appointment or election of Opus Dei members to the Cortes (legislature) chosen last fall. Although Opus Dei improved its position in the Cortes, it failed to gain dominance in the Council of the Realm, the body that will help choose a prime minister when Franco relinquishes that post. Opus Dei's chances of controlling the selection of a new chief of government have thereby lessened; indeed, it will probably have to negotiate with other factions to stay in power after Franco goes.

Prime Minister

Rumors persist that Franco will soon give up his position as prime minister. Because Franco already leaves much of the day-to-day business of running the government to Deputy Prime Minister Admiral Carrero Blanco and to the cabinet, the Caudillo really has little reason to give up the post of prime minister. Many government officials would prefer that Franco designate a prime minister now while he can control the choice. If Franco were to do so, he probably would choose Carrero, a rather colorless 64-year-old bureaucrat whose chief asset is his long association with Franco. Because the admiral wants the economic expertise of the Opus Dei technocrats, he would probably keep them in the cabinet. But in spite of the influence of his Opus Dei colleagues, Carrero's reputation as a close associate of Franco and as a hard-line, unimaginative reactionary might not

facilitate acceptance of Spain into NATO or the European Communities.

If the choice of prime minister is left until a new chief of state takes over, Carrero's chances would be considerably reduced. He is not popular among the military leaders, who feel he is not a proper admiral at all, having been promoted to that rank despite a lack of suitable sea service. These leaders may insist on one of their own for the post. The chief of the high general staff, General Manuel Diez Alegria, or one of the chiefs of the nine military regions are possibilities. Diez Alegria is notable among Spanish military men for his European outlook and for his espousal of gradual change in the direction of a freer society once Franco is gone. He also works well with the Opus Dei technocrats. He might not be acceptable to some of the hard-line regional military commanders.

If the military chooses to remain in the background, a member of the present cabinet could get the post. One leading possibility is Minister of Economic Development Laureano Lopez Rodo, a leader in Opus Dei. Lopez Rodo would continue to emphasize economic goals. Another strong contender is Minister of Foreign Affairs Gregorio Lopez Bravo, a dynamic personality and favorite of the press. With him as prime minister, Spain's chances of closer association with Europe would be improved. Franco is said to be very pleased with his performance as foreign minister. Lopez Bravo has clashed with Juan Carlos and might not have the prince's backing.

Other possible choices include former cabinet members. Among these is Federico Silva Munoz, former minister of public works and a member of the National Association of Catholic Propagandists, a rival of Opus Dei. He resigned in 1970 to separate himself from the Opus Dei — dominated cabinet and to build more support for himself as an alternative who is loyal to Franco. He favors gradual political evolution in the post-Franco era. His abilities as minister and his television appearances have won him wide public

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support. He would be more able than Carrero Blanco—and less able than Lopez Bravo—to promote Spain's acceptance into West European organizations.

The Military: For Preserving Order

Franco's authoritarian system has rested chiefly on support by the army; the conservative business, banking, and land-owning interests; the Roman Catholic Church; and, to a lesser degree, the National Movement. Franco has played these groups off against each other and, by timely shifts of power, has prevented any one of them from becoming too powerful. They all see a prospect, once the Generalissimo's hand is removed, that they will have greater scope for political expression. They are making their plans to enhance their own positions accordingly.

The army is by far the strongest of the power groups. Army officers have consistently been given posts in the cabinet, and many have been appointed to the boards of business firms and banks. The army is united in loyalty to Franco and in a commitment to preserve order, but it has internal differences about how much reform is desirable in a post-Franco era. Some officers have joined with police and old guard fascist elements of the National Movement—the Falangists—to oppose any liberalization at all. Other officers support the Opus Dei technocrats in their efforts to modernize the economy and relax the more rigid controls on political freedom. For the most part, the military has preferred to stand aside from politics and to intervene only when there is a threat to public order or to military prestige. All in all, military leaders are likely to back those who can best preserve order after Franco departs.

As senior generals whose service dates back to the Civil War fade from the scene, younger officers drawn from the more European-minded middle class may slowly swing the army toward a less authoritarian political system. As in most armies, younger officers complain because promo-

tions are slow and pay has not kept pace with civilian pay. Discipline is good, however, and discontent among junior officers is unlikely to get out of hand.

The Burgos trial of 16 Basque terrorists in December 1970 brought the military into sharp conflict with a modest government effort toward liberalization. The hard liners—including many in the military and the security police as well as the Falangists—wanted a military trial culminating in death verdicts to discourage terrorism. The moderate cabinet ministers and those government officials who wish to associate Spain with Western Europe, wanted leniency. The church, opposition groups, students, and labor also protested against the trials. The military grew angry over the government's failure to control criticism. Franco eventually decided to allow the military trials and a death sentence. This satisfied the military but, in line with his habit of balancing the interests of all concerned, Franco allowed an open trial and later commuted the death sentences. The contretemps led observers to speculate on the implications for the future: if a similar conflict were to arise without Franco to arbitrate, could differences be resolved without a military takeover?

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The suspension of habeas corpus decreed during the trial was continued for six months, during which the police arrested over 2,000 persons; most of them were released after a short detention, but some 228 persons were still being held when the suspension was lifted. A stiff public order law was passed in July 1971, aimed as much at controlling professional and middle-class political activity as at worker and student

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Employees learn of *Madrid's* closing.

groups. Orders, warnings, and threats have been issued to the press to curtail criticism of the government. The campaign against the press was highlighted by the closure and forced sale of the newspaper *Madrid*. Plans to relax the ban on political parties by allowing tightly controlled political associations to be formed within the National Movement were put aside.

Labor: Most Likely to Cause Trouble

Workers, students and, to a lesser degree, the church do not share the military's satisfaction with the regime. Under Franco's corporative system, the only legal labor body, the Syndicate Organization, is under government control. Workers do not feel that the syndicates represent their interests effectively. To counter this, syndicate officials drafted a new and more liberal law reducing government controls. But the cabinet so watered down the law that the version finally passed by the Cortes last year had little effect.

Labor discontent has led to a proliferation of groups that aim to improve the lot of the workers. Some, sponsored by Catholic organizations, are tolerated within narrow limits by the regime. Others, sponsored by illegal political organizations opposed to Franco, are suppressed by the police. One of the most active of the latter groups is a grass-roots, loosely confederated one known as the Workers' Commissions. Communists and Catholics collaborate in these commissions with far rightists, Socialists, and the apolitical. In spite of their illegal status, the Workers' Commissions have had some success in organizing demonstrations and in getting plant managers to negotiate with them as the legitimate spokesmen of the workers. In some plants, the Workers' Commissions have penetrated the government syndicates by getting their own candidates elected as shop stewards. The Workers' Commissions hope to build an organization so strong that the government will have to treat with it.

Strikes are illegal in Spain, but work stoppages occur periodically in spite of the harsh

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measures employed to prevent them. Of the several serious strikes over the past year, some have involved demands for wage increases to meet the rise in the cost of living. Others have been protests against labor legislation and rules governing dismissal of workers. The technocrat cabinet and the syndicate leadership have been more willing than their predecessors to allow labor and management to settle disputes among themselves. The government has called in the police to break up protests, and a willingness to use force is still the regime's prime method for keeping a lid on labor.

Since last Christmas, there have been relatively few labor disturbances. Workers have been waiting to see how they fare in the collective bargaining contracts now being negotiated in a number of major industries. An exception has been the Basque area, where a labor dispute led the Basque Fatherland and Liberty terrorists to kidnap a Basque businessman. He was released after management met most of the kidnapers' demands, including reinstatement of 183 fired workers and a wage increase. The police then arrested some 30 alleged members of the terrorist group, who are now awaiting trial in connection with the kidnaping. Another serious incident was the bloody clash on 10 March in El Ferrol del Caudillo on the northwest coast between the police and some 3,000 shipyard workers who were protesting the dismissal of six fellow workers. Labor is the element most likely to cause trouble in the post-Franco period. Well aware of this, the government is likely, at least in the immediate aftermath of Franco's death, to use force to prevent serious agitation. Thereafter, much will depend on how well the government adjusts to labor's demands for a free labor organization and better wages.

The Students: Always Troublesome

Only a minority of students are politically active, and they do not pose a serious threat to the present regime or to a post-Franco government. They are an irritant to a regime that will not tolerate demonstrations and is slow to adjust

to demands for change. Activist students have sought reform of the official student organization and have demanded organizations of their own. Conflicts were inevitable. Police have suppressed periodic demonstrations, and universities have been closed to allow tempers time to cool. Usually, the threat to cancel examinations with a subsequent loss of credit for the year has been sufficient to stop the students.

Nonetheless, there were violent confrontations between students and police in 1967-68, when protests against the regime were added to demands for university reforms. In January 1969, after prolonged student-worker demonstrations, the authorities reacted strongly. They closed indefinitely the universities of Madrid and Barcelona. A 90-day state of emergency was proclaimed, and certain civil rights were suspended. The authorities also arrested over 1,000 persons and shipped some 35 individuals to remote Spanish provinces for the duration of the state of emergency. By early March 1969, the situation was sufficiently quiet to persuade the government to reopen the universities and lift the state of emergency. The authorities took the precaution of placing police and plain-clothes' agents in the universities to maintain order.

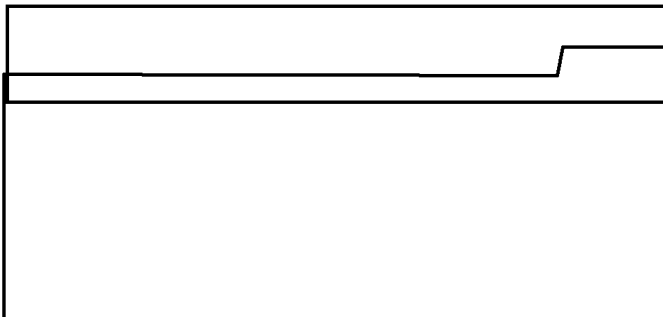
In January of this year, the police again took strong action against students demonstrating at Madrid University. Although the clashes were precipitated by the suspension of 4,000 medical students protesting a change in their curriculum, the unrest had more fundamental causes. Students resent the presence of uniformed and plain-clothes' police on the campus. Many deans are ineffective and hostile to the students. In addition, a polarization of students has been brought on by the disruptive tactics of a small but militant group of extreme leftists—including a number of Communists—who have clashed with an even smaller group of extreme rightists. Underlying these factors is campus opposition to authority in general and to the Spanish establishment in particular.

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Demonstrating Madrid students flee police.



A student general strike was called for the first six days of March, and this led to disturbances throughout the country. The university situation is likely to remain unsettled, but authorities will keep matters under control through police action and, when necessary, by closing colleges. Improvements in educational facilities are planned, and these should help reduce tensions.

Church and State: Another Irritant

Church-state relations have deteriorated in recent years. Both the Vatican and a majority of the Spanish clergy want to disassociate the church from Franco's regime, but neither is prepared as yet to face the loss of state subsidies. The church is hard put to reconcile the concept of social

justice with the labor policies of the government. The state wishes to retain its influence over the church. The Vatican has asked the Spanish Government to renounce its voice in ecclesiastical appointments, but Madrid is unwilling. Church-state relations were strained last September when the Assembly of Spanish Bishops and Priests called for broader recognition of human rights in Spain and the independence of church and state.

Last December—possibly as a gesture of good will to reduce tension—the government agreed to a reshuffling of bishops. As a result, liberal bishops were appointed to head six of the seven dioceses involved. The most significant change was the appointment of Cardinal Enrique y Tarancón as bishop of Madrid-Alcala, Spain's most important diocese. He is an advocate of an active social role for the church. The principal victory for the government was the transfer of the liberal Bishop Cirarda from Santander, where he also had responsibility for Bilbao and the Basque area, to the deep southern province of Cordoba. Hard liners in the government did not approve of Cirarda's sympathy with the nationalism and labor grievances of his fellow Basques.

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With relatively liberal men in the principal ecclesiastical posts, the church is in a better position to work with political groups that want a stronger role for labor. As part of the price for the government's concurrence in these liberal appointments, the church may have agreed to concentrate on social action and to soft-pedal political reform. This did not stop a church subcommittee from taking the government to task a short time later for its unjust social and economic policies. Franco himself, in his traditional year-end message to the people, warned the church against interference in temporal affairs. At his investiture as Archbishop of Madrid-Alcala in early January, Cardinal Enrique y Tarancon pledged to speak up for "those without voice to defend their legitimate aspirations." This was a clear reply to Franco's warning and indicates that the church has changed from a pillar of the regime to a major political irritant.

The Opposition Parties: A Distant Prospect

The traditional opposition parties—Christian Democrat, Socialist, Communist, and Anarchist—are illegal, fragmented, and powerless. They are for the most part survivals of former political parties and regional organizations. Practically all of them, except for a few extremist bands, are resigned to waiting out Franco's passing to obtain political rights and a role in the government.

Some of these groups would like to see a provisional government installed after the passing. This provisional government would call a constitutional convention to decide on the form of government and to formulate guarantees for political liberties. Because the chances of this happening are very poor, the opposition will have to settle for working to liberalize the present system; for example, by working with labor and students to bring more effective pressures for change and agitating for legal political status.

If political parties should be legalized, none of the present opposition parties looks strong enough to win a dominant position. The Social-

ists, using the nucleus of a clandestine trade union—the General Union of Labor—would have an initial advantage. They would also benefit from the traditional anti-clericalism of many Spanish workers and intellectuals as well as from the financial support of West European Socialists and trade unionists. At present, they are badly split between those who accept direction from elderly Socialist leaders in exile and those who support a self-proclaimed "interior" Socialist group led by the intellectual Tierno Galvan.

The Christian Democrats have a potentially strong party, which would draw support from religious organizations, businessmen, and intellectuals. But they are also badly split. Various active Catholic groups exist, but some of them would prefer a secular Social Democratic Party. The Communist Party has some influence in the illegal Workers' Commissions, but its leadership is under fire from dissident elements. Moreover, the Communist Party is not likely to be legalized soon, even if other parties are, and its ability to work with other groups and to develop a popular base is limited by widespread hostility to Communism.

In the Basque provinces and in Catalonia, regional groups demand greater cultural, economic, and political autonomy from Madrid. The



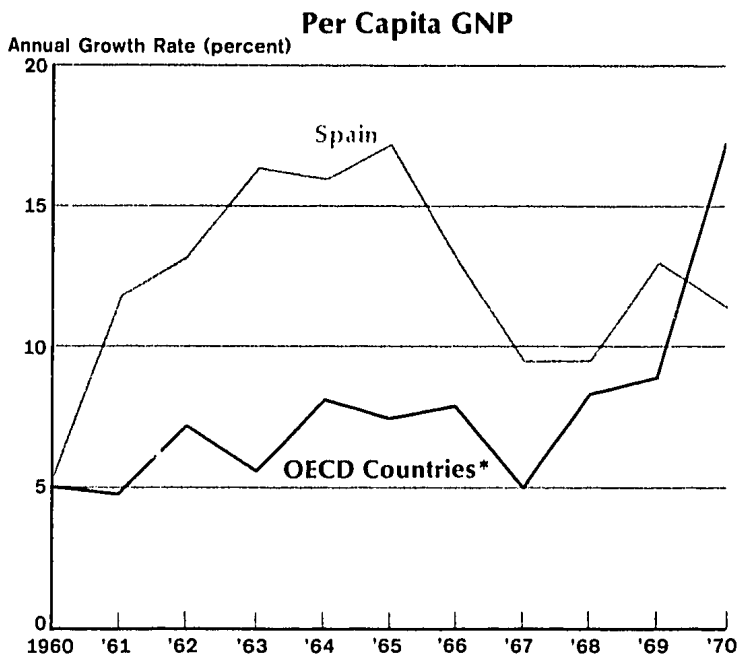
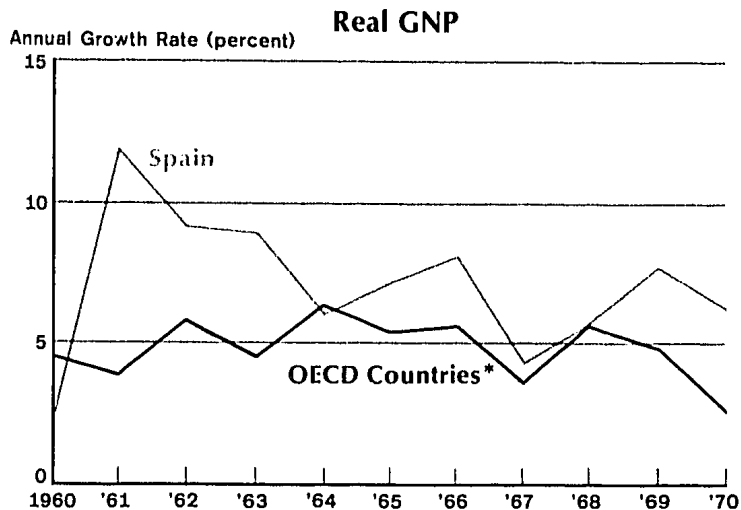
The Economy: A Bright Spot

The strong performance of the Spanish economy in the 1960s promoted the stability of the Franco regime, and continued economic progress

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Spain: Growth of Real and Per Capita GNP, 1960-1970



* The Organization for Economic Cooperation and Development has 23 members: all West European countries plus Australia, Canada, Greece, Japan, Turkey and the United States.

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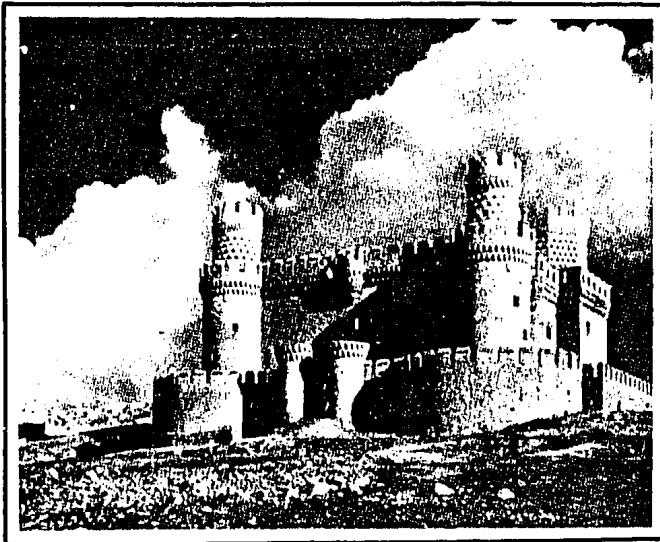
obviously would improve the staying power of any successor government. Spain achieved a seven-percent annual growth rate in the 1960s, one of the highest in Europe. Before that, Spain's economic stagnation had been chronic since the Civil War and had forced Franco in 1959 to agree to abandon traditional policies of autarky in favor of modernization and an open-door policy toward foreign investment. With an expanding domestic market, relatively low labor costs, comparative freedom from labor strikes, and a generous governmental attitude toward foreign ownership, repatriation of profits, and low tax rates, Spain attracted a good deal of direct investment from abroad. It zoomed from \$36 million in 1960 to \$222 million in 1970. Moreover, Spanish traders and industrialists soon discovered that, given their low labor costs, they could compete readily in European markets. By 1971, per capita gross national product was but \$31 shy of the \$1,000 mark sometimes used as the benchmark of a modern Western economy.

Rapid economic expansion led to vast imports and a yawning trade deficit that reached \$2 billion in 1971. The tourist boom, foreign investment, and remittances from Spaniards working abroad, nevertheless, moved Spain into a positive over-all balance-of-payments position. Tourism receipts alone covered about 80 percent of Spain's trade deficits in the 1960s and 95 percent in 1971. Indeed, Spain was not only able to cover its trade deficits but to accumulate large foreign exchange reserves which amounted to \$3.2 billion in 1971.

The economy will more than likely continue to progress if the transition period after Franco goes is relatively smooth. Despite a slowdown in late 1970 and 1971, Spain should experience strong economic growth in 1972 and into 1973. The 1972 budget and 1972-75 Third Development Plan are geared toward expansion, calling for an annual growth rate of seven percent or more and a \$13-billion increase in public investment over the next four years. Exports, which now finance almost 60 percent of total imports,

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are expected to continue growing at an accelerated rate.

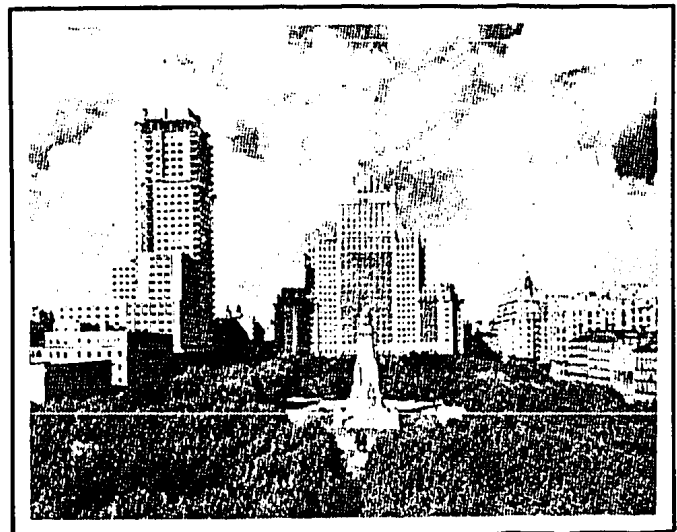
With a continued sound basic balance-of-payments position, rapid domestic growth, and growing export markets in both Western and Eastern Europe, Spain will continue to attract foreign investment. There are already signs that Spain could become a production base for many of Europe's multi-national companies—a prospect that increased with Spain's 1970 preferential trade agreement with the European Communities.

Nevertheless, Spain faces a number of serious economic problems. Wages as a proportion of gross national product have been stagnant over the past decade and have barely kept ahead of rising prices. Although wages rose 13 percent in 1971, for example, the real increase was only 4.6 percent because prices rose 8.4 percent. The wage lag is the most serious source of labor unrest in Spain and could exacerbate social frustrations and make for an uneasy transition period. There seems to be a growing awareness in Madrid, however, of the need for increased "social development" and for governmental intervention in the economy to ensure balanced economic growth in the 1970s.

Another problem is the approaching entrance of one of Spain's principal trading partners, the UK, into the European Communities. This threatens to make obsolete the 1970 preferential trading agreement with the EC. Once Britain goes behind the EC tariff fence, French and Italian products will have a strong competitive edge over Spanish products that now enjoy a good market in the UK. The EC is ready to consider revising the present agreement to cover the new situation through adjustment of commodity coverage and tariff levels. But Madrid officials hope for a new agreement that will also clarify the timing of eventual Spanish association with the EC. There are strong objections from some EC members to permitting the Franco regime to become an associate or full member, and Madrid's chances of getting such a commitment are no better than in 1970. The government does have some time to work for political liberalization to aid in reaching its goal of association and eventual membership in the EC.

Outlook

As long as Franco remains in power, the problems facing his regime can be kept under control. The succession law that he devised probably will be followed and Juan Carlos will be



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installed as king. The recent appointments of three more hard-line Falangist generals to top military posts may complicate efforts of the present technocrat cabinet to remain in power. Although the first post-Franco government will undoubtedly remain authoritarian, pressures to lift present political controls, at least partially, are likely to grow. Many within the Spanish establishment favor economic and social reforms and a gradual evolution toward a freer political life. Thus, even within the regime there will be forces working for change. Improved economic conditions have given more people a stake in society and more reason to work for orderly change. The impact of better education and contacts with freer Europeans have reduced the old animosities of class, religion, and politics which so divided Spaniards in the past. These influences, too, will improve chances for gradual progress toward a more open society.

Other factors could upset the situation after Franco. If the government makes changes too

slowly, popular aspirations for social, economic, and political reforms could provoke widespread protests. Both workers and students are capable of causing trouble, especially if encouraged by the various opposition parties and labor unions. A recession or serious inflation would stimulate support for protests. If unrest were to become widespread, the military probably would take over in the name of stability. But given the expectations that Franco's passing is sure to arouse, a military take-over might prove only a temporary solution, and a period of great instability could follow.

As of now, the progress that the present government has made in stimulating the economy and in promoting modernization and Europeanization has a good chance to continue. If the trend holds, the possibilities will improve for an evolution from the present government to a more responsive system.

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