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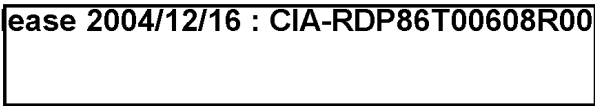


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Finland's Caretaker Government To Remain in Office

President Kekkonen today asked Finland's caretaker government to remain in office after repeated attempts to form a majority government had failed.

Kekkonen appointed former governor Martti Miettunen on October 29 to form a broad-based majority government. This effort failed because of the refusal of the Social Democrats and the Communists to participate. Both the Social Democrats and the Center Party subsequently declined to put together minority governments.

Kekkonen had little choice but to ask the current non-political government headed by Keijo Liinamaa to stay on. He had wanted a majority coalition, including the Social Democrats and the Communists, that would have had the necessary parliamentary backing to make the difficult decisions on the country's economic problems. After a poor election performance in September, however, the Social Democrats decided they needed more time to reorganize. The Communists are deeply divided and would rather remain in opposition than assume any share of responsibility for enacting difficult economic legislation.

The Liinamaa government is in no position to adopt tough measures to deal with the country's pressing economic problems. It will fall to a successor government to reduce inflation--now running at an annual rate of 18 percent--and cut the trade deficit of \$2 billion.

There is little indication that an election will be held within the next few months. Most

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parties would like a breather from the current political turmoil. The next serious effort to form a coalition based on the current parliament may not come until February, and some Finns speculate a "political" government may not emerge until next fall.

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Cod War Heats Up

London's decision to send naval vessels to Icelandic waters will almost certainly increase the likelihood of incidents at sea, and dim hopes for an early renewal of negotiations on a fishing agreement.

Confrontations between Icelandic coast guard and Royal Navy ships will further embitter Icelandic public opinion. There may be some anti-NATO spillover, with opponents of a fishing agreement arguing that Iceland should leave the alliance if its members refuse to support Iceland on this vital national issue.

The worsening political climate could also endanger the recently concluded fishing agreement between Iceland and West Germany. The agreement was scheduled to be debated today in the Icelandic parliament.

The British decision to send three frigates into the area came after British fishermen threatened over the weekend to abandon Icelandic waters if they did not receive naval protection. Icelandic patrol boats have engaged in various harassing actions and cut the lines of six British trawlers in the last eleven days.

Negotiations between Iceland and Britain collapsed last week after the two sides were unable to agree on the size of the British catch. London wants an annual catch of 110,000 tons, and Reykjavik has refused to budge beyond 65,000 tons.

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New Spanish King Courts the Armed Forces

King Juan Carlos' initial efforts have been primarily aimed at wooing the military in the apparent hope that firm support in the armed forces will help free his hand in the political sector.

US defense attaches in Madrid report that the reaction of the Spanish military to the King has been enthusiastic so far. Juan Carlos assumed the rank of captain general--the same rank Franco held--and took his oath as king in uniform. In addition to stressing the importance of the military in his accession speech, the King addressed a special message to the armed forces. He reiterated the role of the military as the guarantor of the fundamental laws, noted especially the military contribution in Spanish Sahara, and pledged to work closely with them. The formal ceremony on Thursday honoring the King is expected to include a military review to demonstrate military loyalty to the head of state.

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While giving tentative signs that some degree of political liberalization will eventually emerge in Spain, Juan Carlos is also paying attention to Franco's old supporters. Having angered some elements of the far right by failing to mention Franco's National Movement in his accession speech, the King moved to placate them by giving his first official

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audience to the National Confederation for Veterans, whose members include many ultra rightists.

The Catholic church in Spain has offered its support to the King and evolutionary change. This has been the message of proclamations by the president of the Bishops' Conference and the archbishop of Barcelona, as well as in the funeral oration given by the cardinal primate.

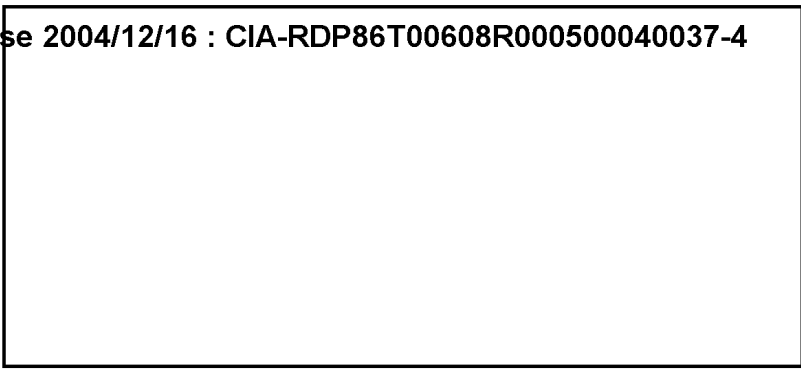
The initial reaction among the political opposition has been mixed. Some oppositionists expressed disappointment that the King did not announce specific steps toward liberalization or an immediate amnesty for political prisoners in his accession speech. Christian Democratic leader Ruiz Gimenez, however, said that he thought the King said as much as he could before the Cortes, which is dominated by right wingers who would have been affronted by any liberalizing gestures on the eve of Franco's burial. Felipe Gonzalez, leader of the principal Socialist party, has said he will give the King a month to make clear his intentions for a democratic transformation. On the other hand, Santiago Carrillo and some of his colleagues in the Communist-dominated Democratic Junta coalition group found the King's speech totally unacceptable.

An indication that the present calm in Spain may not last came with the first outbreak of violence since the death of Franco. The mayor of a small Basque town was assassinated on Monday, apparently by members of the Basque Fatherland and Liberty group. A communique was issued later in which an unidentified speaker warned that similar acts would follow because "the Spanish state has not changed."

The terrorist group may have acted in the fear that the recent gestures made by Juan Carlos and the government to accommodate regional aspirations will diminish the appeal of terrorism. The terrorists probably hope to resume the cycle of violence and repression in order to keep alive Basque resentment against the central government.

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New Effort to Revive Cypriot Talks

French Foreign Minister Sauvagnargues will meet tomorrow with the Greek and Turkish foreign ministers--who are in Paris for a Council of Europe meeting--in an effort to revive the moribund Cypriot intercommunal talks. The French initiative is a follow-up to President Giscard's visit to Athens and Sauvagnargues' visit to Ankara earlier this fall.

Sauvagnargues is likely to find the Greeks in favor of resuming the negotiations now that the UN General Assembly has favorably considered their case. Cypriot President Makarios declared his readiness on Monday to resume intercommunal talks on the basis of the UN resolution which, among other things, called for the removal of foreign troops from Cyprus "without further delay."

The Turks, however, are piqued at the UN's treatment of their case, and will be reluctant to agree to an early resumption of the talks. Ankara nevertheless has again rebuffed Turkish Cypriot leader Denktash who called for a declaration of independence for the Turkish Cypriot zone. Turkey will probably veto his threat to oust UN forces from the zone.

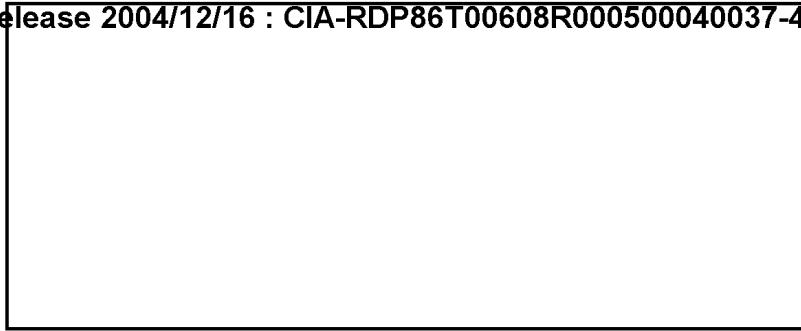

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ANNEX

Opposition in Spain Weakened by Decades of Proscription

The tranquility of the transition period in Spain will depend in large measure on the reaction of the political opposition to what it perceives to be the attitude of King Juan Carlos toward political liberalization.

The initial reaction of the opposition to the King's accession speech last Saturday was mixed. Christian Democratic leader Ruiz Gimenez said he thought it was the most the King could say to the Cortes, which is dominated by right-wingers who would have been affronted by a liberalizing gesture on the eve of Franco's burial. Other opposition leaders expressed disappointment that the King did not announce specific steps toward opening the political process. The leader of the Spanish Communist Party, Santiago Carrillo, and some of his colleagues in the Communist-dominated Democratic Junta coalition found the speech totally unacceptable.

An analysis of the opposition, its strength, and the role it hopes to play in post-Franco Spain follows.

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The political opposition in Spain has been weakened by nearly four decades of proscription and today consists, for the most part, of poorly organized survivors of political parties and regional organizations. Many of the groups have "exile" as well as "interior" party structures. Personalities are often more important than the groups they lead, and rival factions are divided as much by their devotion to different leaders as by ideology.

Opposition leaders last year attempted to overcome their differences by moving to combine their parties into a coalition. They made some progress, but the emergence of two rival coalitions destroyed any visions of a unified front.

The initiative for a merger came from the Communists, who pushed the formation of the Democratic Junta in the summer of 1974. The Junta fell far short of Communist hopes, mainly because of a legacy of distrust among Spanish leftists, who remember the ruthless Communist purges of anarchists, Socialists, and others during the closing days of the Spanish Civil War. Most Socialists and Christian Democrats refused to join.

The most important non-Communist party to join was Tierno Galvan's Popular Socialists. Tierno has considerable personal prestige and some influence in leftist circles, but his group is very small and lacks popular support.

Easily the Strongest

The Communists are easily the strongest and best-organized force in the opposition. They number about 5,000 active members in Spain and at least twice that many abroad, mostly in France. The party, outlawed since the end of the Civil War, has been harshly repressed by the Franco government--in contrast to its toleration of many other opposition parties--and Communist leaders rarely venture into Spain.

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Santiago Carrillo Solares, now 60, has been secretary general since Dolores Ibarruri accepted the honorific title of president in 1960. He lives in Paris.

The main source of the Communists' strength is their dominance over most of the Workers Commissions formed in the 1960s. Communist organization, discipline, and financial backing have helped make the commissions the most dynamic political mechanism available to the Spanish worker. The commissions will be particularly useful to the Communists if King Juan Carlos does not open other avenues for the workers to take their grievances to management.

The Communists also have at their disposal an instrument for political propoganda in Radio Espana Independiente, which broadcasts from Romania. The

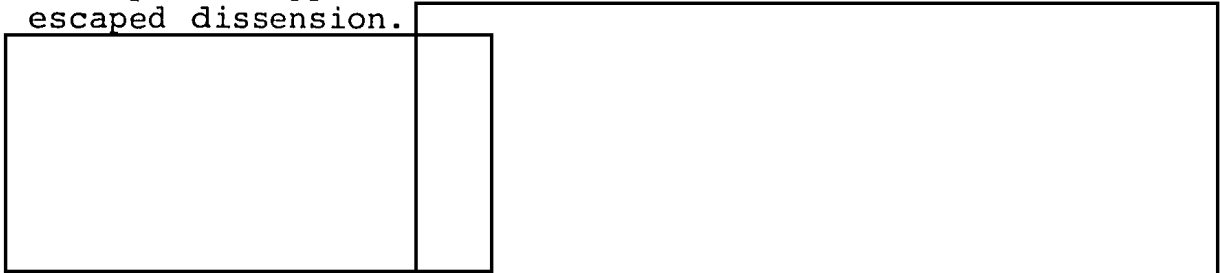


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Serious Rift

Although better disciplined than the rest of the Spanish opposition, the Communists have not escaped dissension.

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Carrillo is being pressed by some young Communists, who reportedly disagree with his relatively

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mild approach and resent his attempt to work with Socialists and Christian Democrats. [REDACTED]

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On international issues, the attitudes and positions of the Spanish Communists are close to those of the Italian Communists. Carrillo's relations with Moscow have been particularly strained since he denounced the Soviet invasion of Czechoslovakia in 1968.

Like Berlinguer, Carrillo stresses his independence from Moscow and has criticized the Portuguese Communists for their hard-line tactics. Carrillo professes to favor a more gradual approach to change. He recently said, for example, that he cannot object to the US military bases in Spain as long as the Soviets keep troops in Czechoslovakia.

Rival Coalition

A second opposition coalition, the Platform of Democratic Convergence, was formed last summer as a counterweight to the Communist-controlled Junta. The Platform has some 15 opposition parties, organizations, and trade unions. It is dominated by Socialists and Christian Democrats. Its program calls for a new democratic constitution that would create a federal state and a number of autonomous regions.

Most of the groups adhering to the Platform would accept gradual evolution toward a democracy like others in Western Europe--although there is considerable squabbling over how gradual the evolution can be. The Platform probably has tried to accommodate too many viewpoints. One extremist group recently withdrew to protest the Platform's moderation regarding the transition period, and another is expected to follow suit.

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The Socialist Workers Party--the major Socialist faction in Spain--is the dominant force in the Platform and the Communists' main rival on the left. The Socialist Workers Party and its affiliated trade union were revitalized in 1972 after party "young turks" in Spain wrested control from "old guard" exiles in France. The party is now led by Felipe Gonzalez, a young, articulate lawyer from Seville.

Four Christian Democratic factions--Ruiz Gimenez' Christian Democratic Left and three regional groups--have joined the Platform, and a fifth, Gil Robles' Popular Democratic Federation, is expected to join soon.

Gil Robles and Ruiz Gimenez say that the various Christian Democratic factions are already collaborating closely, and that some form of union is inevitable, but the diversity and bitter personal rivalries among these factions makes effective unity unlikely.

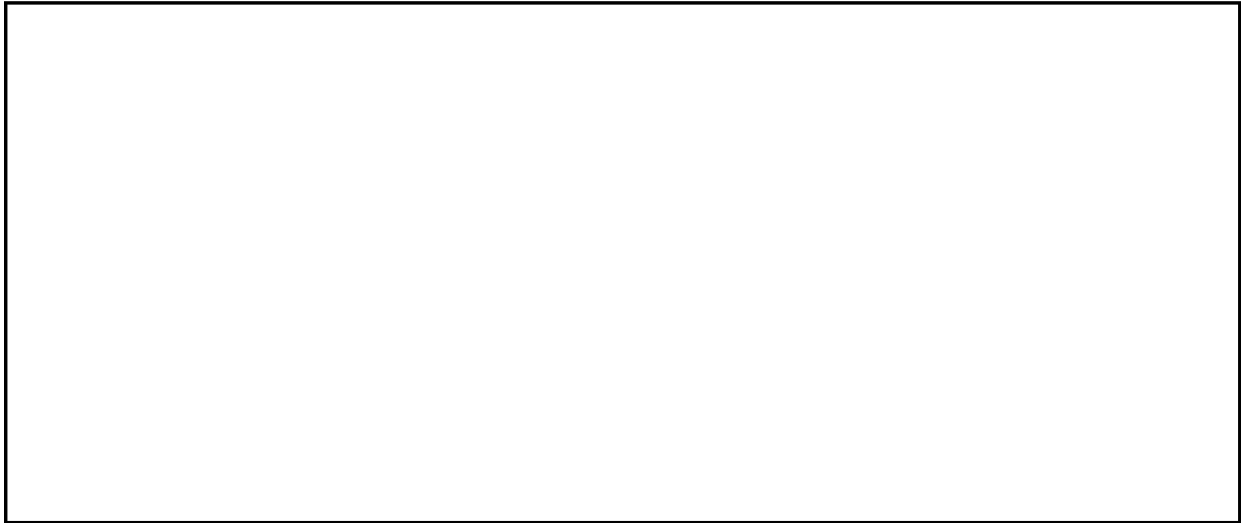
Little Cooperation

Cooperation between the Junta and the Platform coalitions has been limited. In early September they did join in condemning the government's new law on terrorism and its execution of five terrorists. A few days later Carrillo misrepresented the joint communique as an agreement on a common program, leading several Platform groups to issue immediate denials.

In spite of the friction, the two again issued a joint communique at the end of October, this time setting out objectives for the transition period.

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All opposition groups are in general agreement that the two most pressing issues in post-Franco Spain will be amnesty for political prisoners and legalization of political parties. There are deep disagreements among Spain's leaders over whether such actions should be taken and, if they are, whether the Communists should be included.

At this point, Juan Carlos seems likely to exclude the Communists. Some members of the opposition believe that exclusion will only benefit the Communists and that the Communists could be challenged more effectively in open competition. The Communists would almost certainly react to exclusion by stepping up the opposition to Juan Carlos.

Juan Carlos probably believes that excluding the Communists would be an acceptable risk, in view of the pressure he will come under from conservative members of the establishment. Jose Antonio Giron-- a powerful Falangist politician--and other prominent figures of the far right have publicly condemned the idea of active political parties in Spain.

Juan Carlos knows that Giron and his followers have played a major role over the past year in scuttling Prime Minister Arias' limited moves toward political pluralism.

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