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Spain: Political and Economic Overview

Prime Minister Gonzalez's center-left Socialist Party has an absolute parliamentary majority, and opinion polls indicate that he is a favorite to win another term in office in the next parliamentary election which must be held by the end of 1986. Support from centrist voters is crucial to winning elections in Spain, and those voters have been as pleased with Gonzalez's moderation as they have been put off by the pugnacity and Franco regime connections of his chief opponent, Manuel Fraga, who is the leader of the conservative Popular Alliance. Former centrist Prime Minister Adolfo Suarez and regional party leader Miguel Roca have launched political parties of their own in an attempt to fill the political middle ground between Gonzalez and Fraga, but neither has attracted much support from the voters. The Prime Minister is just as fortunate on his left flank -- the Communists are badly split and their highly publicized feuding has virtually destroyed their credibility with the electorate.

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Along with constitutional monarchs in other parts of Europe, King Juan Carlos reigns but does not rule. Franco handpicked Juan Carlos as his successor, but when the King ascended the throne following Franco's death in 1975 he chose instead to foster democracy. His behind-the-scenes interventions helped keep Spanish democracy on track in its early years. The most dramatic moment in the King's reign came, in fact, when he was instrumental in quashing an attempted military coup in February 1981. The King is strongly concerned with institutionalizing the monarchy in Spain, however, and he knows that the future of the monarchy will be best assured by winning respect as a non-partisan and largely ceremonial chief of state.

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This memorandum was prepared by [Redacted] Office of European Analysis. Questions and comments are welcome and may be addressed to [Redacted] Chief, West European Division, [Redacted]

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The Key Players

Prime Minister Felipe Gonzalez is a gifted politician who is enormously ambitious both for himself and for his country. He is a political moderate who is committed to Spain's long term modernization. He is less of a political strategist than a tactician who lives by his instincts. His reliance on improvisation rather than long range planning, however, led him to drift into a referendum on NATO and that trait may yet prove his Achilles heel.

Leader of the Popular Alliance party and conservative opposition chief Manuel Fraga is probably miscast as a politician a role that requires a finesse and a feel for the popular mood that Fraga has never had. He acquired his current position as leader of the right-of-center opposition largely by default when the previous governing party self-destructed and the Socialists swept into power in 1982. Since then, Fraga has actually lost support. At least part of that decline stems from his tendency to speak like he thinks--in terms of black and white, right and wrong--not in terms of the grey middle range that the Spanish public, still remembering the extremes of the civil war, values and rewards electorally.

Adolfo Suarez was the first democratically elected Prime Minister of the post-Franco era and worked closely with King Juan Carlos in implementing the transition to representative government. Although he played a key role in the democratic transition, he failed to keep his party, the center-right Center Democratic Union, united behind him. He resigned from that party in 1981 and subsequently formed the centrist Social Democratic Center Party (CDS). Although opinion polls rank Suarez second only to Gonzalez in popularity among party leaders, the CDS ran poorly in 1982 and appears unlikely to do much better in the next national election later this year.

Miguel Roca is the parliamentary spokesman for the Catalan regional coalition, Convergence and Union. He is trying to launch a new national center-right party--the Democratic Reform Party. Although Roca's fellow politicians respect him for his shrewdness, he stirs little excitement with the voters and the Reform Democrats have had trouble getting off the ground.

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The NATO Referendum

The national referendum on NATO membership will take place on 12 March. The government is asking voters to endorse membership in the Alliance. In order to increase support, it has linked continued participation to non-integration in NATO's military command, a reduction in the US military presence, and continuation of the country's non-nuclear policy. Opinion polls vary widely, but indicate the government will have a rough battle.

Gonzalez plans to keep Spain in NATO even in case of a referendum defeat by calling an early election and running on a pro-NATO platform. A lopsided defeat, however, would almost certainly place overwhelming pressure on him to leave the Alliance.

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Current Economic Situation

With a per capita income of \$4200 in 1984, Spain is one of the poorer European countries, richer only than Turkey, Portugal and Greece. In contrast to the rapid growth experienced during the "miracle years" of 1960-73, Spain has averaged an annual growth rate of only 1.7 percent since then. The present Socialist government has put in place a painful austerity program designed to modernize the economy and cope with persistent inflation and current account deficits. It has moderated inflation and turned around the payments deficits, but has pushed unemployment up to 21.8 percent, the highest rate in Western Europe. The centerpiece of the government's long-term economic plan is the industrial restructuring program, which aims to streamline "sunset" industries such as steel, shipbuilding and textiles and develop new high-tech industries. Madrid is counting on joint ventures with foreign multinationals to secure capital and technology, and also on entry into the European Community. The latter, however, probably will cause some short-term dislocation in the economy as Spanish tariffs are dismantled and relatively inefficient Spanish industries are exposed to European competition. Exports of Spanish agricultural goods, moreover, probably will not expand significantly because high EC tariffs will only gradually diminish over the seven to ten year transition period.

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SUBJECT: Spain: Political and Economic Overview

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