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PORTUGAL (INCLUDING THE AZORES) AND  
SPAIN IN SEARCH OF NEW DIRECTIONS

A REPORT

BY

Senator CLAIBORNE PELL

TO THE

COMMITTEE ON FOREIGN RELATIONS  
UNITED STATES SENATE



MARCH 1976

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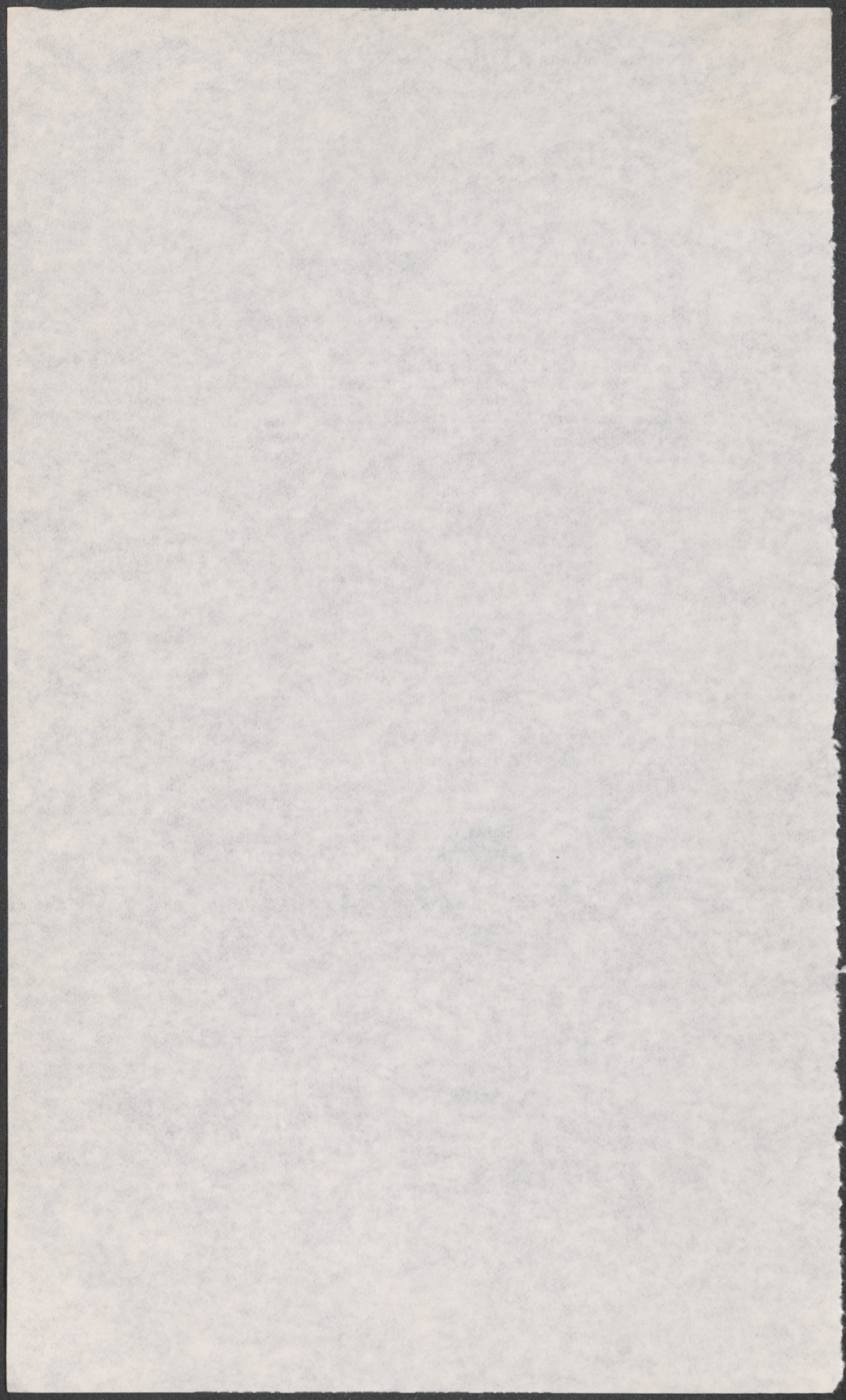
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## LETTER OF TRANSMITTAL

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UNITED STATES SENATE,  
COMMITTEE ON FOREIGN RELATIONS,  
*Washington, D.C., February 27, 1976.*

HON. JOHN SPARKMAN,  
*Chairman, Committee on Foreign Relations,  
U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: I am pleased to submit the enclosed report on my recent trip to Portugal and Spain.

My visit to both countries came at an important time in the political development of both of these strategically located countries which are undergoing profound changes.

In the case of Portugal, which in 1974 emerged from 46 years of dictatorship, a new constitution is being drafted; parliamentary elections have been scheduled for April 25, 1976; and a new President will be elected on June 27 of this year. At the same time, Portugal is struggling to overcome massive economic problems and is endeavoring to meet the special concerns of the Azores islands. In Spain, liberalization has clearly begun, and plans are being made for the first democratic elections in over forty years.

I hope that my report will prove of value to the Committee in evaluating events in Portugal and Spain and in determining what America's role should be in supporting democratic development in those two countries. I further hope that my views on the proposed treaty with Spain will be helpful to members of the Committee and to the Senate as a whole in deciding whether to give its advice and consent to the ratification of that important treaty.

Warm regards.

Sincerely,

CLAIBORNE PELL.



## PREFACE

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It has been 35 years since I lived in Portugal, where my father was the American Minister. At that time, Salazar was steering Portugal on a neutral course while Franco put Spain pretty squarely on the Axis side, including furnishing help to German submarines at Vigo. As a Delegate of the Portuguese Red Cross and as a traveler, I remember being arrested twice in Spain in those turbulent days.

As the years progressed, the world seemed to pass by the two dictatorial regimes on the Iberian Peninsula.

So, for me it was particularly interesting to return to these countries after more than a third of a century. Portugal is of particular concern, not only to me, but to my State where a large number of our finest citizens are of Portuguese heritage.

I was accompanied by my wife, Nuala, and by Mr. Geryld B. Christianson, who has been assigned to assist me in carrying out my responsibilities as a member of the Senate Foreign Relations Committee. He took copious notes and has been of immeasurable help in the preparation of this report.

Both Ambassador Frank Carlucci and Ambassador Wells Stabler and their staffs were of the greatest help to us, arranging appointments with many officials and individuals and, I am afraid, inconveniencing themselves in order to be of help.

The period February 7-11 was spent in Portugal, and February 12-13 in Spain. In addition, Mr. Christianson spent February 13-14 in the Azores. During the course of the visit, I saw a wide variety of government officials and political party leaders. In Portugal, the visit began with a call on Cardinal Patriarch D. Antonio Ribeiro. Subsequent discussions were held with Prime Minister Jose Pinheiro Azevedo, Secretary of State for Foreign Affairs Jose Manuel Madeiros Ferreira, members of the Constituent Assembly, and the leaders of the major Portuguese political parties. In Spain I met with King Juan Carlos, Prime Minister Carlos Arias Navarro, Interior Minister Manuel Fraga Iribarne, Foreign Minister Maria de Areilza, and political party leaders. All of the Portuguese and Spanish officials with whom I spoke were most generous with their time.



# PORTUGAL (INCLUDING THE AZORES) AND SPAIN IN SEARCH OF NEW DIRECTIONS

## PART I

### PORTUGAL—BACK FROM THE PRECIPICE

Since the revolution of April 25, 1974, Portugal has undergone a period of continuing crises during which many in this country feared that one form of totalitarianism was destined to be replaced by an even crueler form. In my view, the deep pessimism about the prospects for the survival of democracy in Portugal was never justified, and recent events in that country have borne out my early confidence expressed on the Senate floor on April 18, 1975 that the Portuguese people because of their innate common sense, conservatism and religious nature, would find a way back from the precipice of Communist dictatorship. The culmination of this phase of Portugal's political development was the failure of the Communist inspired putsch of November 25, 1975 which marked an important divide in Portugal's political life. While the continuing Communist threat must not be underestimated, the Communists and the other Marxist parties of the extreme left are clearly on the defensive and the democratic parties have the upper hand.

In this new situation, the Portuguese people and their leaders are to be congratulated on the way they have gotten themselves onto a relatively stable course after an initial period of instability and violence. Any society or people that has been in the darkness of dictatorship for more than two score years would understandably wobble and zig-zag a bit as it emerged into the full light of freedom, just as a person who had been locked in a dark room for a long time would find it difficult to walk a straight line if he or she were suddenly thrust into bright daylight.

In fact, it is a remarkable achievement that in the short span of two years Portugal has overthrown an entrenched dictatorship, divested itself of a large colonial empire, launched a far-reaching economic recovery program, established the framework for the re-establishment of democracy, begun the process of returning the military to the barracks, and stemmed a Communist coup—all with virtually no bloodshed. What other country can boast of a similar record? Much remains to be done, however, and the achievements to date will not be secure until substance is given to the emerging democratic institutions and the health of the economy is restored.

*Origins of the Revolution.*—The young military officers who overthrew the Caetano regime knew what they were against but had no clear idea of what they were for. They reacted against thirteen years of frustration in the African wars which they viewed as supporting a system of feudal capitalism which benefitted only a very small stratum of Portuguese society. The young captains and majors also were disturbed

by the low level of education among the conscripts sent to Africa and by the attempts of the Caetano regime to undermine the integrity of the military by swelling the officer corps with reservists who received favored treatment in promotions.

With no democratic alternative to the Salazar/Caetano corporate state, the well organized Communists were the only ones prepared to talk the kind of language that the military plotters wanted to hear. In exploiting this receptivity to Marxism, a Communist party for the first time attempted to gain power by infiltrating a military establishment. When, after the overthrow of Caetano, the armed forces made it clear that they intended to become the "motor" of the revolutionary process, the Communists were well placed to wield influence out of proportion to their actual popular support.

*The Decline of Communist Power.*—The Communists, however, overplayed their hand and were out-manuevered by the Socialist Party. The Socialists extracted Communist agreement to holding elections on April 25, 1975 for a Constituent Assembly which would draft a new constitution. In return, the Socialists agreed to the establishment of a single labor confederation, *Intersindical*, although that involved the risk that the better organized Communists would take over the labor movement as part of a broader strategy to seize control of the country. The risk paid off, however, as the Socialists and the centrist Popular Democratic Party (PPD) scored a stunning victory in the Constituent Assembly elections of April 25, 1975, winning 64% of the vote and the Communist and small allied parties only some 19%. The Socialists, led by Mario Soares, were particularly successful in highlighting individual freedom as the principal issue dividing the Socialists and the Communists. Since the April 1975 election, the Socialists and the PPD have been steadily improving their position in *Intersindical* to the point where they may soon be able to take control.

After the election, Communist excesses, such as the takeover of the Socialist newspaper *República* and the Catholic radio station *Renascença*, generated second thoughts about the Communist Party on the part of the military. Major Melo Antunes, who was principally responsible for developing the political ideology of the Armed Forces Movement (MFA) and is now Foreign Minister, mobilized military opposition to the Communist leanings of the then Prime Minister Vasco Gonçalves. Vasco Gonçalves was eventually induced to resign and was replaced last September by Admiral Pinheiro Azevedo, a political moderate. Then, on November 25, the Communist Party made the fatal error of inspiring an attempted coup. Apparently foreseeing this possibility, Azevedo had quietly but effectively concentrated on restoring discipline and improving the effectiveness of one key Army unit in Lisbon. That unit, aided by the lack of broad popular support for the Communists, broke the back of the coup attempt.

In all of the events culminating with the November 25 coup attempt, the Communists miscalculated in assuming that they could capitalize on their influence in key power centers—the military, the media, and the labor movement—and quickly seize power. Moreover, they underestimated the strength and influence of the Catholic Church and the need to develop mass popular support. In the end, the good sense and determination of the vast majority of the Portuguese people prevailed.

Thus, events in Portugal have borne out my own assessment made on the floor of the Senate on April 18, 1975 that "it would be a tragic mistake if the United States adopted policies based on the assumption that the Portuguese have already cast their lot for a closed Communist society" and that "it would be unproductive and potentially disastrous for us in the United States to lose our cool and over-react."

The extent of Soviet financial support for the Portuguese Communist Party remains a mystery, but whatever its size it appears to have been largely irrelevant. According to Socialist Party sources, the Communists spent twenty times what the Socialists did in the Constituent Assembly election and yet fared poorly.

Since November 25, Portugal has been moving back toward the center of the political spectrum. This movement has been so fast in fact that there is an increasing fear that the principal threat to Portuguese democracy may now come from the extreme right. An unstable political ping pong effect may thus be emerging. It seems clear, however, that Portugal will become neither a communist state nor a rightist one. Political stability is most likely to be found in the consolidation of power around the parties of the center-left or non-communist left. That means that the Socialist Party and the PPD are likely to wield the preponderance of power, although it cannot be excluded that the center-right Center Social Democratic Party (CDS), which seems to be growing in strength, will also play an important role.

Looking to the future, a long list of urgent tasks must be addressed by the Portuguese people as a whole, their elected representatives, the government, the political parties, the military, business leaders, and the Church before Portuguese democracy is consolidated. In this process the United States must play a supportive role—not by intervening or offering gratuitous advice on the composition of the government, but by providing economic assistance and showing patience and understanding as the Portuguese effect needed economic and social changes. The Portuguese people have clearly demonstrated that despite their political inexperience resulting from 48 years of dictatorship they now constitute a very sophisticated and sensible body politic which merits the confidence and trust of the American people and the United States Government.

In order to illustrate the challenges facing the Portuguese people and the new directions which they are seeking, I would like to discuss in turn the economic situation in Portugal, including what the United States can do to assist in rebuilding the Portuguese economy; the role of the Church; the role of the military; and Constitutional and political development, including the electoral process. I have reserved the important question of territorial integrity and the Azorean independence question for discussion in Part II of this report.

*Rebuilding the Portuguese Economy.*—In blunt terms, the Portuguese economy is in a mess and getting worse. Almost all of the Portuguese government officials and political party leaders with whom I spoke told me that the greatest need is to stabilize the economy; otherwise there will be increasing threats from both the extreme left and the extreme right. The key to democratic development is therefore sound economic development.

Portugal's present economic problems are usually blamed on the radical policies pursued by the various governments established follow-

ing the April 1974 revolution. To a large extent that is true, but it should also be borne in mind that Portugal has suffered from serious structural defects in its economy for many years and enjoyed an artificial prosperity under the Salazar/Caetano regime. During those years, Portugal ran a chronic trade deficit in its balance of payments, largely because of food imports. Food production declined in Portugal in the 1960's because some 60,000 people left the farms each year, primarily to take jobs in the booming economies of the European Economic Community. Receipts from tourism and emigrants' remittances covered the trade deficit and permitted the country to ignore its agricultural problem and the weakness of its export sector. The Portuguese banking industry was another source of weakness. Although financially strong, the banks concentrated on the short-term financing of foreign trade and land speculation to the detriment of long-term capital investment in industry.

Portugal's low level of unemployment was also artificial as approximately 100,000 workers a year left Portugal in the 1960's to work abroad. In 1974, over one million workers, or approximately one-third of Portugal's labor force, resided abroad, including in the African colonies. The swollen ranks of the civil service and the armed forces fighting in Africa further relieved pressure on the Salazar/Caetano regime to develop employment opportunities at home. The Portuguese economy under Salazar and Caetano was thus living on borrowed time.

When the April 1974 revolution occurred—it could not have come at a worse time economically—the international economy was deteriorating rapidly, oil prices were rising, Portuguese exports—notably textiles—were falling, and because of declining job opportunities abroad the export of Portuguese labor fell from an annual rate of 100,000 to 20,000 in 1974 thus requiring the Portuguese economy to provide jobs and housing for a larger work force. With so many Portuguese still working abroad, further layoffs of overseas Portuguese workers threatened to result in a large flow of Portuguese workers back to Portugal. After the revolution, the employment and housing problem was further exacerbated by the influx of some 350,000 refugees from Angola, most of whom arrived with few resources or marketable skills. Thus, international economic realities and decolonization would have presented any government—however wise and cautious—with monumental problems.

The revolutionary process clearly added to these economic woes. Workers felt exploited under the Salazar/Caetano regime and demanded higher wages and a shorter work week after the revolution. Wages rose by 42 percent in 1974 and by 30 percent in 1975. At the same time consumption rose and output fell. The obvious result was inflation, which was in the range of 20–30 percent in 1975. Food shortages also occurred, as the distribution system became dislocated and agrarian reform disrupted production patterns.

Most distressing of all, new fixed business investment plummeted in 1974 to less than one-third of the 1973 level. Investment may even be negative now as capital has fled Portugal and some plants have ceased production because of bankruptcy. Productive capacity, and therefore job opportunities, may thus actually be declining. For those firms that were able to stay in business, sharply rising wages lowered corporate profits and thus put pressure on the internal generation of

private investment capital. Firms borrowed from the banks to finance these increased wage bills. Thus once again, as in the days of Salazar and Caetano, the banks were employing their funds for short-term, nonproductive uses.

The nationalization process also disrupted the Portuguese economy and contributed to the decline in investment. Although only Portuguese firms were to be nationalized, some foreign firms were illegally occupied by workers as were some Portuguese firms which, because of their small size, were supposed to be exempted from nationalization. The nationalization of banks had a particularly far reaching effect. Government officials discovered that because of the nature of the Portuguese economic structure, characterized by conglomerates of family fiefdoms and interlocking corporate relationships, assuming control of one bank often resulted in taking control of some 150 other firms. I was told that the government acquired control of a half dozen or so newspapers in this manner.

For the most part, the relatively few families which controlled the Portuguese economy left Portugal. This exodus, together with the replacement of professional managers by workers committees in nationalized or occupied firms, created a large management void which the revolutionary regime has not been able adequately to fill. Many of the nationalized firms have, as a result, either gone bankrupt or are operating uneconomically. Moreover, the revolutionary regime cast aside the investment projects formulated by the Caetano government and did not develop alternative ones.

It was not only industry and banking that underwent nationalization and suffered from illegal occupation. Under an agrarian reform law, aimed at breaking up the large estates in the Alentejo region of southern Portugal, land holdings are limited to 1250 acres of dry land or 125 acres of irrigated land. Holdings in excess of these amounts were expropriated and turned into cooperatives rather than divided among the individual tenant farmers who worked the land.

As with nationalized industry, the criteria for expropriation were not always observed and many small farms were seized. The setting up of cooperative farms was done in the early days of the revolution under Communist leadership and became bases for Communist activity throughout Portugal. They became areas for storing arms and staging areas for the shock troops which the Communists dispatched to Lisbon and other urban areas. At one point the Alentejo, under the strong influence of the Communists and other extreme leftists groups, became virtually a state within a state.

Reaction set in, however, as farmers in the north, where small holdings are the rule and large estates few in number, joined with small farmers in the south and the discontented former tenant farmers who resented the cooperatives, in pressuring the authorities in Lisbon to suspend the agrarian reform law—threatening in one instance to cut off food supplies to Lisbon. The Azevedo government has responded by reaffirming its support for agrarian reform, but has promised to end “deviations” in its application.

As a result of the above developments, the Portuguese gross national product (GNP) declined by 6–7 percent in 1975; unemployment rose to over 400,000 or approximately 12–15 percent of the labor force (roughly equivalent to the unemployment rate of over 14 percent in my own state of Rhode Island); and the balance of trade will

probably be in deficit by over \$1 billion in 1975 as a result of falling demand for Portuguese products and disrupted production and marketing. Whereas in other circumstances, Portugal could fall back on emigrants' remittances and receipts from tourism to soften the blow, Portuguese workers abroad became alarmed at developments in Portugal and sharply reduced their remittances, and tourists stayed away in droves. Consequently, the foreign currency portion of Portugal's reserves (over \$1 billion when the Caetano government fell) was quickly exhausted, rendering the country completely dependent on its sizable but vulnerable gold reserves.

There is a certain momentum in the process of economic deterioration which must be halted. The economy must therefore be stabilized before it can be improved. With almost all of its reserves in gold, Portugal's immediate problem is one of foreign exchange liquidity to pay for essential import requirements such as food (Portugal imports about one-half of its food requirements). There is also the longer term developmental problem relating to investment and productivity, but Portugal must solve its liquidity problem first. This liquidity problem is the symptom of the weakness of Portugal's agricultural sector, the need to induce a return of tourism and emigrant remittances, and the necessity of rationalizing investment.

Portugal's economic problems are too large and complex to be solved by Lisbon alone. Even with a highly restrictive economic austerity program, Portugal may need as much as \$1 billion in foreign assistance over the next year or so—primarily in the form of monetary arrangements to cover foreign exchange losses which could run as high as \$100 million monthly in 1976.

Portugal could meet its liquidity requirement by selling some of its 868 tons of gold, but not without substantially depressing the international gold market. If the price of gold were, for example, to be driven back to the price of \$35 an ounce which prevailed a few years ago, Portugal's reserves would be exhausted before the end of this year. As a result, it is more productive for Portugal to use its gold as a form of security for the loans being sought, and Portugal is already doing this.

Portugal is not, therefore, asking for a handout while sitting on a fortune in gold. Portugal may yet have to sell some gold, but gradual, orderly sales would be to the advantage of Portugal as well as other nations with large gold holdings.

Beyond the immediate problem of liquidity, Portugal requires concessional economic assistance in the form of loans, grants, and technical advice. Current or planned United States programs—including those initiated in fiscal year 1975 when the United States began its assistance program to demonstrate American support for Portuguese democracy—total over \$200 million. Portions of this total are still subject to Congressional approval, but it is clear that the United States is prepared to provide substantial assistance to Portugal. The detailed amounts involved are as follows:

UNITED STATES ECONOMIC ASSISTANCE TO PORTUGAL  
[In millions of dollars]

|                                           | Fiscal year<br>1975<br>(actual) | Fiscal year<br>1976<br>(proposed) | Transitional<br>quarter<br>(proposed) | Fiscal year<br>1977<br>(proposed) |
|-------------------------------------------|---------------------------------|-----------------------------------|---------------------------------------|-----------------------------------|
| 1. A.I.D.-----                            | 15.0                            | <sup>1</sup> 55.0                 | 10.0                                  | 55.0                              |
| (a) Grant-----                            | (.75)                           |                                   |                                       | (2.0)                             |
| Technical assistance-----                 | (.75)                           | (1.0)                             |                                       |                                   |
| Refugee relief-----                       |                                 | (35.0)                            |                                       |                                   |
| (b) Loan-----                             | (14.25)                         | (19.0)                            | (10.0)                                | (53.0)                            |
| Low-income housing-----                   | (13.25)                         |                                   |                                       |                                   |
| Feasibility studies-----                  | (1.0)                           |                                   |                                       |                                   |
| 2. Housing investment guaranty (HIG)----- | 20.0                            | 10.0                              |                                       | 10.0                              |
| 3. Public Law 480 title I-----            |                                 | 15.0                              |                                       | 30.0                              |
| 4. Commodity Credit Corp. (CCC)-----      |                                 | 30.0                              |                                       | ?                                 |
| Total-----                                | 35.0                            | <sup>2</sup> 110.0                | <sup>3</sup> 10.0                     | 95.0                              |

<sup>1</sup> The Senate on Dec. 18, 1975 authorized \$50,000,000 of this requested amount.

<sup>2</sup> In addition \$7,500,000 was obligated in fiscal year 1976 for the Angolan refugee airlift.

<sup>3</sup> Although the Administration requested \$10,000,000 for the transitional quarter, the Senate authorization provides for 1/4 of the fiscal year 1976 authorization to be applied to the transitional quarter. Thus, in the case of supporting assistance to Portugal, 1/4 of \$50,000,000 or \$12,500,000 is authorized.

In formulating its economic assistance program, the United States has been asked by the Portuguese Government to concentrate—wisely I believe—on social infrastructure, leaving the rebuilding of industrial infrastructure largely to the West Europeans. In FY 1976, U.S. programs will include, for example, a grant for the relief resettlement and employment of returnees from Angola, and loans and grants for use in such areas as agriculture, rural development, housing and urban development, community health, education, transportation and public administration.

The European Economic Community is providing \$187 million in project loans to Portugal, and the European Free Trade Association will provide another \$100 million. Most recently, West Germany established a bilateral assistance program involving \$25 million in concessional aid and \$250 million in a central bank loan.

One Portuguese government official told me that, in his view, foreign aid is justified only if there is a coherent, coordinated plan for utilizing it. The Azevedo government has recognized this imperative and has set up an office to coordinate all foreign assistance requirements of the various ministries in the government. In addition, guidelines are being drawn up to aid the next government, to be elected in April, in planning and implementing a sound program utilizing foreign assistance.

I believe strongly that Portugal's future lies with the West and that the United States, in cooperation with its West European allies, must remain committed to providing the economic assistance which Portugal needs. Those Portuguese leaders with a Western democratic orientation must be able to point to tangible evidence of Western support if their views and ideals are to prevail. Portugal, after almost four centuries of looking to Africa and Asia for national fulfillment, is returning to Europe. The dispersal of Portuguese around the world is being reversed, and Portugal needs considerable help in coping with its adjustment not only to a new political orientation but a new economic and geographic one as well.

While foreign assistance will be an important factor in stabilizing the Portuguese economy, much remains to be done by the Portuguese themselves. Many politicians of both the left and the right now

recognize that the process of nationalization went too far. If the Portuguese economy is to recover, private enterprise—which still constitutes 70 percent of Portugal's industry—must be encouraged and both private and public investment increased.

Already, it is becoming increasingly common for the former owners of nationalized or illegally occupied firms to be called back—in some cases by the workers themselves—to restore efficient management. Whether, or to what extent, private ownership will be restored in such cases is not yet clear. In the case of the nationalized banks, the omelet is unlikely ever to be unscrambled and private ownership restored. Meaningful compensation for the seizures is, however, a distinct possibility; and, as in France just after World War II new private banks—especially investment banks—may be permitted to co-exist along with the government-run nationalized banks.

For the present, it is probably unrealistic to expect much new foreign or domestic private investment. One high Portuguese official told me that he expected it to take up to two years to establish a favorable climate for new private investment. During that period, he said, the government should take steps to end labor unrest and develop sound government investment projects, with a view toward thus encouraging private investment to follow. In this connection, other sources told me that the Portuguese government is dusting off many of the investment projects of the Caetano regime and may revive some of them. I also understand that an investment code, aimed at stimulating private investment, is being drawn up and will be issued soon.

*The Church in Portugal.*—The Roman Catholic Church in Portugal made a conscious decision not to become involved in the politics of the revolutionary process. Rather, it saw—and continues to see—its role as one of fostering reconciliation, defending human liberties, and encouraging the development of social consciousness and democratic values. The events of the past two years have had no apparent negative impact on the Church or on religious practices. On the contrary, the whole revolutionary process seems to have brought credibility to the Church and reinforced its image. Even the Communists recognized the strength of the Church when they made a point of declaring prior to the Constituent Assembly election that the position of the Church would not be threatened if they won. The Church suffered from some wildcat seizures of parish residences and other property, and its *Radio Renascenca* was seized by workers; but there was never any government directed action against the Church, and all illegally seized properties have been restored.

*The Role of the Military.*—Just over a year ago, the Armed Forces Movement created the Council of the Revolution as the supreme ruling body in Portugal and forced the political parties to sign an agreement concentrating political power in the Council's hands for the next three to five years. The armed forces seemed at that time firmly resolved to play an active and long-term role in governing Portugal. Since then, a dramatic change has occurred, particularly after the attempted coup of November 25. The Council of the Revolution, and indeed the military as a whole, is now dominated by so-called "operationals", officers who feel that politics should be left to the politicians and that the military should return to the barracks as soon as possible.

The current military leadership feels that the military establishment was used by the Communist Party and that further military embroilment in politics could pose a threat to the survival of the armed forces as an institution.

In line with this outlook, the Council has instituted talks with the political parties to revise last year's pact and is expected to relinquish power to an elected president and legislature, although some residual "watchdog" role for the military will continue. Those talks were drawing to a close when I was in Lisbon, and the political parties seemed to have achieved the Council's agreement to all of their demands. Moreover, responsibility for internal security is to be given back to the police.

Along with its self-willed reduction in political influence, the armed forces are also engaged in dramatically cutting the size of the military establishment. What once was a 180,000 man army, for example, will soon be cut down to 26,000. With no African war to fight and a NATO commitment which has been nothing more than a paper one, the Portuguese armed forces are now facing an identity crisis as they return to soldiering. It may be, in fact, that along with a healthy economy, political stability will depend on finding a meaningful new role for the Portuguese armed forces. For if the young officers who found a mission in the revolution do not find fulfillment in a purely professional military career, the temptation to return to politics may be great.

Fortunately, a solution for that problem is close at hand. If Portugal's military commitment to NATO could be made a meaningful one; if military discipline could be restored through the professionalism which responsibility for a specific NATO mission could provide; if the Portuguese armed forces were to feel involved in a cooperative military effort in the defense of the entire NATO area, a real alternative to politics and a legitimate source of professional pride and accomplishment would be found.

I will not attempt to suggest what kind of NATO task the Portuguese armed forces might assume, but an effort should be made to initiate the necessary discussions and planning for such a role as soon as possible within NATO. Any meaningful role for Portugal will obviously generate a requirement for new military equipment. Most of the present equipment of the Portuguese armed forces is obsolete or obsolescent and needs to be replaced. Such equipment needs will have to compete with economic development requirements, which means that foreign military assistance will be required. I support such assistance, but believe it should not be provided by the United States alone. Our other NATO allies have a large stake in the development of democracy in Portugal and in Portugal's assumption of a larger role in NATO defense. Consequently, equipping the Portuguese armed forces should be a cooperative effort in which our European allies pay a major role.

*Constitutional and Political Development.*—On April 25 of this year, if all goes well, the people of Portugal will choose their first democratic legislature in 48 years. The campaigning for that election is already underway even though the constitutional framework in which the new Legislative Assembly will operate has not been established. There is

even some question as to whether the elections can actually be held if a new constitution has not been promulgated by April 25. The Presidential election will be held on June 27.

The Constituent Assembly, which was elected in April 1975 and was supposed to have drawn up a constitution within 90 days (several extensions have been made since then) has the following composition:

|                                           |     |
|-------------------------------------------|-----|
| Socialist Party (PS)-----                 | 116 |
| Popular Democratic Party (PPD)-----       | 81  |
| Communist Party (PCP)-----                | 30  |
| Center Social Democratic Party (CDS)----- | 16  |
| Popular Democratic Movement (MDP)-----    | 5   |
| Popular Democratic Union (UDP)-----       | 1   |
| Independent (from Macau)-----             | 1   |
| Total-----                                | 250 |

The Constituent Assembly is clearly dominated by the moderate parties of the center-left. The Socialists and centrist PPD alone have 197 of the 250 seats in the Assembly; and if the center-right CDS is included, the three parties which are most likely to determine the destiny of democratic development in Portugal have a commanding majority of 213 seats.

The Assembly is drafting a continental European-style constitution, which means that it will be more detailed than the American Constitution and will be more subject to change. The Constitution begins with a statement of fundamental principles followed by three sections entitled Fundamental Rights and Duties, Economic Organization, and Organization of Political Power.

All but the last section on political power have been completed. Work on that section has been particularly slow because of the difficulty in stipulating the role of the armed forces in the government. Consideration of that aspect was suspended after the November 25 coup attempt. Now that a new pact has been negotiated between the Armed Forces Movement and the political parties, prospects are greatly improved for completing the Constitution prior to April 25.

Those portions of the Constitution completed to date reflect the heavy concentration of members of the left wing of the Socialist Party in that party's Constituent Assembly delegation, and the strong leftist orientation of both the country and the Armed Forces Movement at the time when the Assembly began its drafting. Given the more conservative trend in the country now, including greater emphasis on "democracy" rather than "socialism" in recent political rhetoric, the Constitution that emerges will probably be more leftist than the mood of the country.

In the opening declaration of fundamental principles for example, it is stated that Portugal is a republic dedicated to transforming itself into a classless society and that one of the fundamental duties of the state is to socialize the means of production and wealth. Pluralism of expression and democratic political organization are guaranteed, but they are linked to the objective of the transition to socialism. In international relations, the dissolution of politico-military blocs is advocated.

In the section dealing with economic organization, it is stated that "the socio-economic organization of the Portuguese Republic is seated in the development of socialist economic relationships by means of collective expropriation of the principal means of production,

land, and natural resources, and the exercise of democratic power by the working classes." Moreover, the nationalizations effected since April 25, 1974 are considered "irreversible conquests of the working classes."

Except for the apparently irreversible nature of the expropriations which have taken place so far, the Constitution leaves it to the Legislative Assembly to determine how the principles set forth in the Constitution are to be applied in the future. Consequently, the political composition of the legislature and the political pressures to which it responds will be more important than what is stated in the Constitution.

The nature of the presidency and the powers vested in that office will also be important factors in determining the course of both political and economic development in Portugal. The question of a strong or weak President has not yet been resolved within the Constituent Assembly.

During my discussions with members of the Constituent Assembly and with political party leaders, I detected a healthy concern that democracy not be discredited again as it was during the 1910-28 interval between the fall of the monarchy and the accession to power of Salazar. The experience of present day Italy and pre-deGaulle France has also not been ignored. I was also impressed by the strong recognition by many with whom I spoke that strong leadership will be required if the Portuguese people are to be persuaded to make the sacrifices necessary to rebuild the economy.

Looking ahead to the April and June elections and the establishment of a democratically elected government, the people of Portugal are fortunate that the democratic parties of both the right and left are well led and determined to avoid the imposition of either a Communist or an extreme rightist dictatorship. They have proven their mettle over the past two years; and I am confident that whichever democratic party or coalition of democratic parties governs Portugal, the country will have sound leadership, with which the United States can work closely and amicably.

The Socialist Party seems clearly to be the largest and best organized party, but the strong support which that party achieved in the Constituent Assembly election may be misleading. At the time of that election, it was generally assumed that the Socialist Party was the only moderate party which the Armed Forces Movement would permit to win. Many voters, who might otherwise have voted for the centrist PPD or the rightist CDS, apparently cast tactical votes for the Socialists in order to ensure that a Constituent Assembly would actually be constituted.

With the currently less political bent of the Armed Forces Movement and the increase in conservative sentiment in the country, the PPD and the CDS could make significant gains in April. Such gains may make it impossible for the Socialists to maintain their position of opposing a coalition government. The CDS openly speaks of the desirability of a CDS-Socialist coalition, arguing that the CDS can provide the necessary business confidence necessary for economic recovery. A more ominous possibility being talked of is a Socialist-Communist coalition. Such a partnership seemed very unlikely when I was in Portugal but that possibility cannot be excluded, particularly if current fears concerning a renewed threat from the extreme right turn out to be well founded.



## PART II

### THE AZORES—A NEW FUTURE VIRTUALLY ASSURED

The Azores, an integral part of Portugal, consist of nine beautiful volcanic islands located strategically in the northeastern Atlantic about one-third of the way from Portugal to North America. Although discovered by Portuguese navigators and forming part of Portugal for over 500 years, the people of the Azores, some of whom are of Flemish, French, and Arab extraction as well as Portuguese, have developed a distinct personality and have long felt disadvantaged in comparison with the mainland.

Azoreans have participated in the political life of Portugal on an equal basis with mainlanders—the first President of the new Republic of Portugal established in 1910 was in fact an Azorean—yet they have felt that economically and culturally they have been treated as second-class citizens and that they have been exploited for the benefit of the mainland. They have particularly chafed under a system in which the wealth developed in the Azores has been controlled by banks domiciled in Lisbon, that the prices of certain products are set in Lisbon, that transportation and trade policies have been formulated for the benefit only of the mainland, and that the economic development needs of the islands have been ignored. Culturally, Azoreans have resented that they have had to go to the mainland for higher education. Only this year has a university been established in the Azores.

Although the islands and their people are quite different individually, they share a common alienation from the mainland which has manifested itself in the development of separatist sentiments on several occasions over the past 100 years, most notably when mainland Portugal was suffering from political or economic troubles.

Thus, it is not surprising that when political turmoil wracked the mainland after the fall of the Salazar/Caetano regime, cries of Azorean separatism were heard again. When the new revolutionary regime declared that the island groups of Cape Verde and São Tome/Príncipe were to be granted independence, many Azoreans felt that the Azores should also be given an option for independence.

The sentiment for separatism was not taken seriously in Lisbon until June 1975 following a decision by the authorities in Lisbon to pay lower prices for milk produced in the Azores than on the mainland. The widespread demonstrations of farmers on São Miguel island, the largest of the Azorean islands, on June 6 took on an independence character, and for the first time the Front for the Liberation of the Azores (FLA) came to be seen in Lisbon as a movement that had to be taken into serious account. The military governor of São Miguel who sympathized with the Azorean complaints, promised to take up their case in Lisbon.

Azoreans became further disenchanted with Lisbon during the heyday of Communist activity in Lisbon during July and August.

Strongly anti-Communist, Azoreans (largely members of the FLA) closed down the Communist Party offices and forced the party's leaders to leave the Azores. Apparently realizing that the rising anti-Communist sentiment in the Azores threatened to split that area off from the rest of Portugal, the then Prime Minister Vasco Goncalves agreed to the military governor's proposal that a separate administrative authority be set up for all of the Azores and that the three separate districts in the Azores be done away with. The decree law which set up the *Junta Governativa* (Governing Board) for the Azores was vague concerning the powers to be exercised by the Junta, but as confusion reigned in Lisbon, the Junta, composed of four PPD members and two Socialists (and presided over by the same army commander who suggested setting up the Junta) acquired more and more power on a de facto basis. In fact, virtually all decisions on matters of interest to the Azores are now made by the Junta or on the basis of its advice.

After the establishment of the Azevedo government in Lisbon, the Junta in October 1975 set up a drafting committee to prepare a statute of autonomy under the authority granted to it by the decree law but before Constitutional authority to do so had been approved. The Junta, increasingly confident and powerful, also issued a statement virtually threatening independence if, in the view of the Junta, the new government in Lisbon did not govern properly. This statement, issued on November 15, 1975, expressed support for the Azevedo government but, fearing civil war and the possible imposition of a dictatorship of the left or right, put the Azevedo government on notice that if it could not govern, the Junta would take whatever steps were necessary to secure the "individual liberties essential to a democratic life." This declaration was supported by large demonstrations throughout the Azores on November 17.

In December, the government in Lisbon, apparently feeling that the Azorean sentiment for greater autonomy was entirely linked to anti-communism and that the failure of the November 25 coup would thus dampen that sentiment, attempted to issue a new decree law reducing the powers of the Junta. The Junta stood firm, however, and Lisbon backed down.

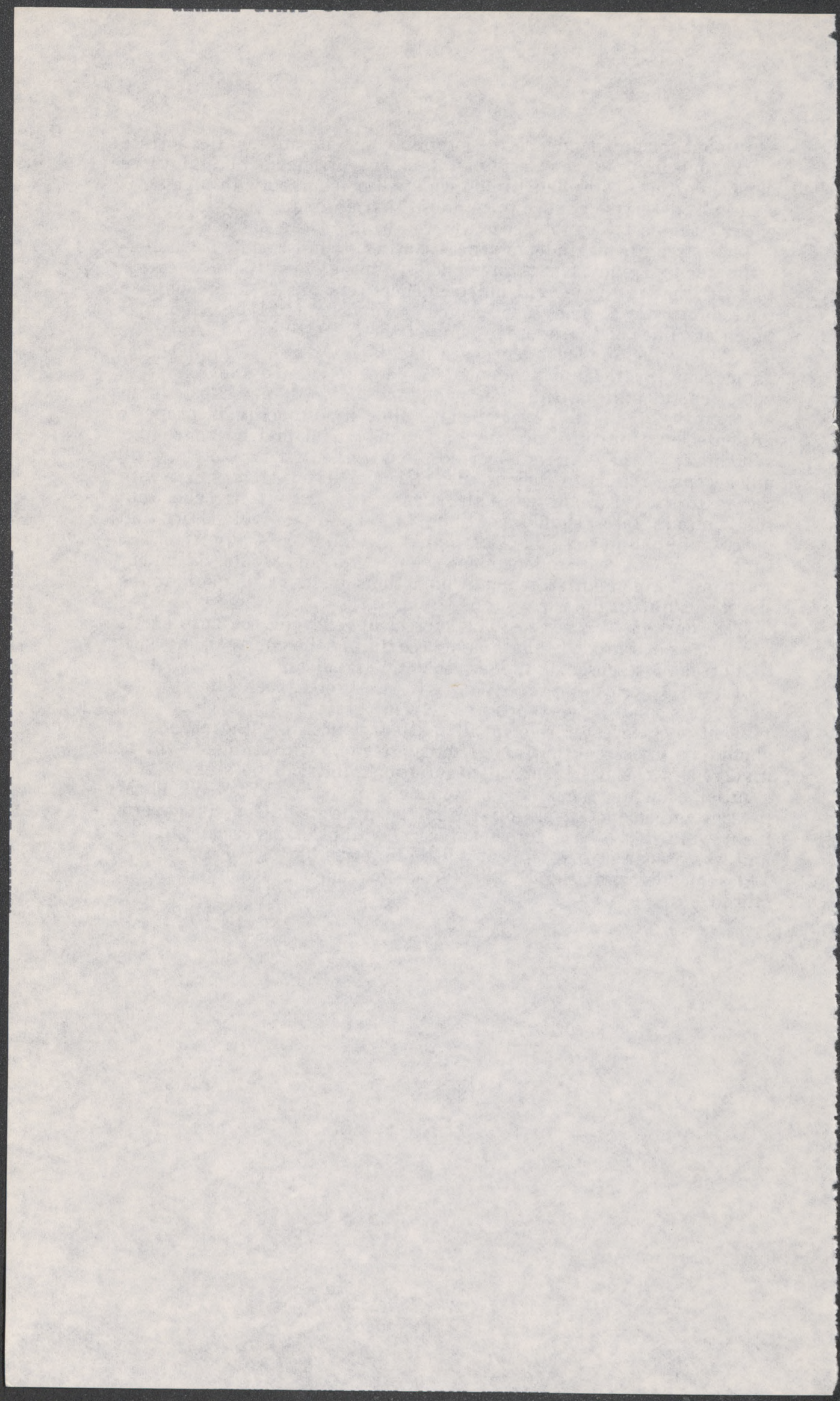
The statute of autonomy is virtually complete as of this writing, and grants broad powers, including over the Azorean economy, to the Azores regional government. In the absence of a Portuguese parliament, it is not clear who will approve the statute—the Azevedo government or the Council of the Revolution. It is clear, however, that for the Azoreans the statute is non-negotiable. The events since June 1975 have been a great source of pride to Azoreans and they are accustomed to taking to the streets if necessary to get what they want. Furthermore, virtually all of the enlisted men in the army detachment headquarters in São Miguel are Azoreans, as are about one-half of the non-commissioned officers, and one-third of the officers. The army, therefore, cannot be counted on to impose Lisbon's will if that proves contrary to Azorean desires.

It is very likely now that the Azores will soon have a political structure permitting them to determine their own destiny within the Portuguese body politic. Whether that new status will serve to ensure that the Azores remains a part of Portugal or will only strengthen the

sentiment for independence will probably depend on how the statute works out in practice. Certainly, the new arrangement and those persons in the Azores and Lisbon who will be charged with making it a success, deserve a chance to establish that autonomy, not independence, is the best way to ensure the well-being of the Azores.

The strength of independence sentiment must not be underestimated by Lisbon. One Azorean deputy in the Constituent Assembly told me that in his view if independence were put to Azoreans in a referendum now, some 70-80 percent would support it. Soundings taken at rallies of the Azorean wing of the Center Social Democratic party, in which independence sentiments are strong, showed that 45 percent favored independence, 37 percent wanted the Azores to be a federal state within Portugal, and only 18 percent favored autonomy. Others, however, believe that if autonomy is properly presented and put into practice, Azoreans would prefer that course. Whichever of these views is correct, it is evident that Azoreans will not accept a return to their former status. Whatever transpires with regard to the future status of the Azores, it is my strong belief that the United States should continue to remain uninvolved in that purely internal matter. The Communists would exploit any American support for Azorean independence, and Azoreans would misunderstand any American statements or actions in favor of maintaining the status quo in the islands.

*U.S. Base in the Azores.*—The subject of renewing the base agreement was not raised by the Portuguese during the course of my visit to Portugal. I sensed, however, that no significant opposition to a continued American presence exists. In the Azores, the feeling toward the base is, in fact, very positive. Given the fact that Azoreans will play an even greater role in all matters concerning the islands, it should be expected that the Azorean regional government will be involved in the base renewal negotiations and will be seeking substantial economic benefits in exchange for base rights. When the present agreement was negotiated in 1969, the weak Caetano government wanted the base agreement as a symbol of American support and was prepared to accept very little in return for use of the base at Lajes on Terceira island. The terms for renewal are likely to be stiffer.



### PART III

#### SPAIN—ON THE ROAD TO LIBERALIZATION

My visit to Spain was the first fact-finding trip to Spain by a member of the Congress since the death of Franco on November 20, 1975. The visit also came during the interval between the signature in Madrid on January 24 of the Treaty of Friendship and Cooperation with Spain and its submission to the Senate on February 18 for its advice and consent to ratification. The combination of these circumstances provided an opportunity to hear the views of Spanish authorities on the important political evolution which has begun in Spain and the relationship of the treaty to that evolution.

In conversations with King Juan Carlos I, Prime Minister Arias, Interior Minister Fraga, Foreign Minister Areilza, and with other leaders of two of the as yet unauthorized political parties, we discussed the treaty and the obligations involved. I was categorically assured, though, that no new American political and military commitments, beyond those specifically stated, would flow from the treaty.

In concluding that I should support ratification of the treaty, considerations relating to political liberalization were decisive. The treaty has the potential to contribute greatly to democratic development in Spain. Significant political changes have occurred in Spain since Franco's death, and through the treaty, the United States is in a position to encourage further progress toward democracy. While I will support the treaty, it is with the belief that the present liberalizing trend will continue and that the Administration should lend its weight to helping the Spanish Government move further toward democracy.

While in Madrid I was very impressed by the fact that the total number of prisoners is only 8500. This amounts to 24.1 prisoners per 100,000 of population as compared to our own country where the ratio is 97.8 prisoners per 100,000 population. The United States, therefore, has about four times as many prisoners proportionately as Spain does. Within the total of 8500 prisoners in Spain, the number of political prisoners is 506, down from the level of 1500 or so which prevailed when Juan Carlos became king last November 22. The Spanish authorities expect that number to drop to less than 100 (composed of terrorists and political assassins) by the end of July, 1976. In this connection, the Spanish Government is well aware, as a result of my visit, of the importance attached by the Congress to the human rights provisions in the foreign assistance legislation which will be applicable in connection with carrying out the terms of the treaty.

A summary of the record of liberalization since Franco's death is as follows:

##### *1. Political Activity*

Tacit acceptance of open political activity by all non-communist political parties or groups, e.g., holding of Christian Democratic

Party Congress Jan. 30-31, 1976, and public rallies of Socialists (PSOE) in February.

## 2. *Elections*

Shortening terms of mayors elected *indirectly* Jan. 18 and 25, 1976 from four years to eleven months; i.e., until direct general municipal elections with universal suffrage are held in November 1976 for town and city councilmen who will choose new mayors.

## 3. *Police Practice*

Discontinuance of wholesale arrests and harassment of unauthorized public demonstrators; unprecedented arrests of right-wing vigilantes.

## 4. *Press Freedom*

Discontinuance of government seizures of objectionable publications and prior censorship of all but communist-related publications or articles. Frequent interviews of government ministers with local and foreign press. Government controlled television has been giving coverage to political events, including activities of the Socialists and Communists.

## 5. *Labor*

Acquiescence in allowing both official syndicates and illegal unions to carry out non-political strikes. Government intervention in strikes in public utilities only after public opinion favored such intervention to prevent breakdown in essential services, e.g., public transportation.

## 6. *Exiles*

Issuance of passports to political exiles of which some 500 have returned to Spain, e.g., Rodolfo Llopis, former Secretary General of Spanish Socialist Workers Party (PSOE).

## 7. *Freedom of Travel for Opposition Leaders*

Issuance of passports to PSOE leader Felipe Gonzalez, and other Socialist leaders to attend international meetings; issuance of passport to Communist labor leader Marcelino Camacho.

## 8. *Pardon of Prisoners*

Since the King declared a pardon November 25, 1975, some 6,500 prisoners have been freed including approximately 500 political prisoners, according to Spanish authorities. As of February 1, 1976, the penitentiary population was approximately 8,500 including an estimated 500 political prisoners.

## 9. *Abrogation of Objectionable Features of the Anti-Terrorism Law*

The Spanish government issued a Decree/Law on February 6 abrogating 14 articles of the August 28, 1975, Law on the Prevention of Terrorism, returning jurisdiction of terrorist crimes to civil courts and eliminating a mandatory death sentence.

## 10. *Appointment of Government Commission on Constitutional Reform*

An eighteen-member commission held an initial meeting on February 11, 1976, and will meet weekly to act upon the Premier's proposals for reforms leading to a bicameral legislature with one chamber elected by universal suffrage.

### 11. *Universities*

Removal of police from university campuses unless requested by the Rector. Non-interference with non-communist political activities, e.g., speeches by PSOE leader Felipe Gonzalez in Seville and PSP leader Tierno Galvan in Madrid.

### 12. *Regional Issue—Basques and Catalans*

Official permission to use local languages in public affairs and to be taught in schools; cabinet decision in February 1976, transferring certain administrative powers from Madrid to the province of Catalonia; similar proposals are under consideration for the Basque area.

### 13. *Prorogation of "Cortes"*

The present mandate of the "Cortes", scheduled to be renewed under the old electoral system in March, 1976, has been extended for 18 months to allow government time to introduce constitutional changes. Without that temporary extension, a new Cortes not chosen by universal suffrage would be installed for a five-year term.

### 14. *Foreign Relations*

A. Foreign Minister announced intention to consider formal ties with Israel.

B. Orderly withdrawal from last colony in Western Sahara.

C. Re-opening of dialogue with Europe, especially with Council of Europe, thus demonstrating a willingness to discuss human rights issues.

These are encouraging developments, but there will be little incentive for the Spanish Government to build upon this record if the Senate rejects the Treaty of Friendship and Cooperation and thus expresses its collective judgment that there is no distinction between the Franco regime and the current one. If, on the other hand, the treaty is approved, the hand of the liberalizers will be strengthened, as they will be able to demonstrate that they have secured something which the Franco regime could never have obtained—a broad treaty of cooperation in defense and other matters with the United States. Approval of the treaty would contribute to the momentum of success and international acceptability of the new regime. Rejection of the treaty would seriously undermine the liberalization trend and probably also decrease the ability of King Juan Carlos to exercise a moderating influence in Spain.

The principal opposition parties would have preferred that the treaty be concluded by a democratically elected government. I share that preference, but unfortunately the previous executive agreement relating to the use of military facilities in Spain expired last September 26; and if a new agreement is not concluded soon, the United States will have to cease its use of the bases in Spain by September 26 of this year. I received the distinct impression that despite reservations in public about the treaty, all of the democratic parties understand this predicament and will not seriously oppose the treaty. It is interesting in this connection to note that the diehard Franco supporters—the so-called "bunker" element—have taken the most reserved position on the treaty.

In each of my meetings with Spanish officials, I asked whether, in their view, the treaty involved any commitment, specific or implied,

secret or open, either to come to the defense of Spain if attacked or to assist in the event of any internal disturbances. I was assured that no such commitments were involved and that the treaty means nothing more or less than what it says.

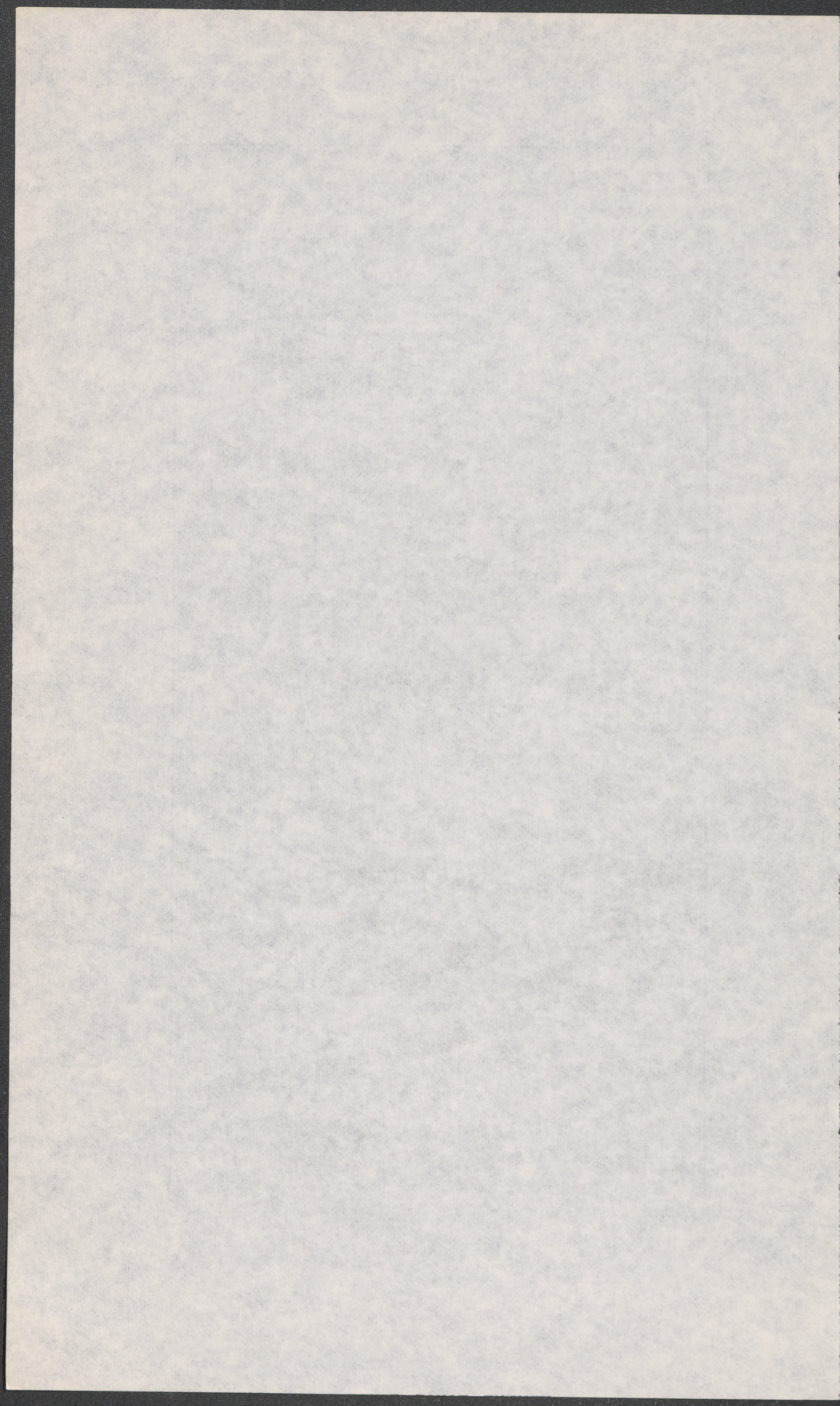
Since in my view ratification of the treaty is justified, primarily on the basis of the contribution which the treaty can make to the evolution of democracy in Spain, it is important to bear in mind the following scenario which the current regime has established for the restoration of democracy. The regime has set in motion a process of constitutional reform which would provide a large measure of direct democracy. At the national level, a parliament would be established with a lower chamber directly elected by universal suffrage and a more conservative upper chamber with a corporate structure along the lines of the current single chambered "Cortes."<sup>1</sup> This new upper chamber would consist of representatives selected by various corporate bodies such as the family sector, the labor syndicates, business, the legal profession, and so on. In discussing the preservation of this vestige of the Fascist-inspired corporate state with a representative of one party close to the regime, it was obvious that the kind of upper chamber envisioned by the Spanish is unknown in modern Western democracies.

Once the proposals for constitutional reform are completed, they will be submitted to the nation, perhaps as early as July, for a referendum. Municipal elections will follow in November, and national elections early in 1977. While the armed forces appear to support constitutional reform and wish to stay out of politics, they are adamant on three things—the Communist Party must not be legalized; Spain must continue to be a unitary state and must not concede too much autonomy to disaffected areas such as Catalonia and the Basque region; and public order must be preserved. Thus, the military will continue to be the watchdogs of the political process in Spain.

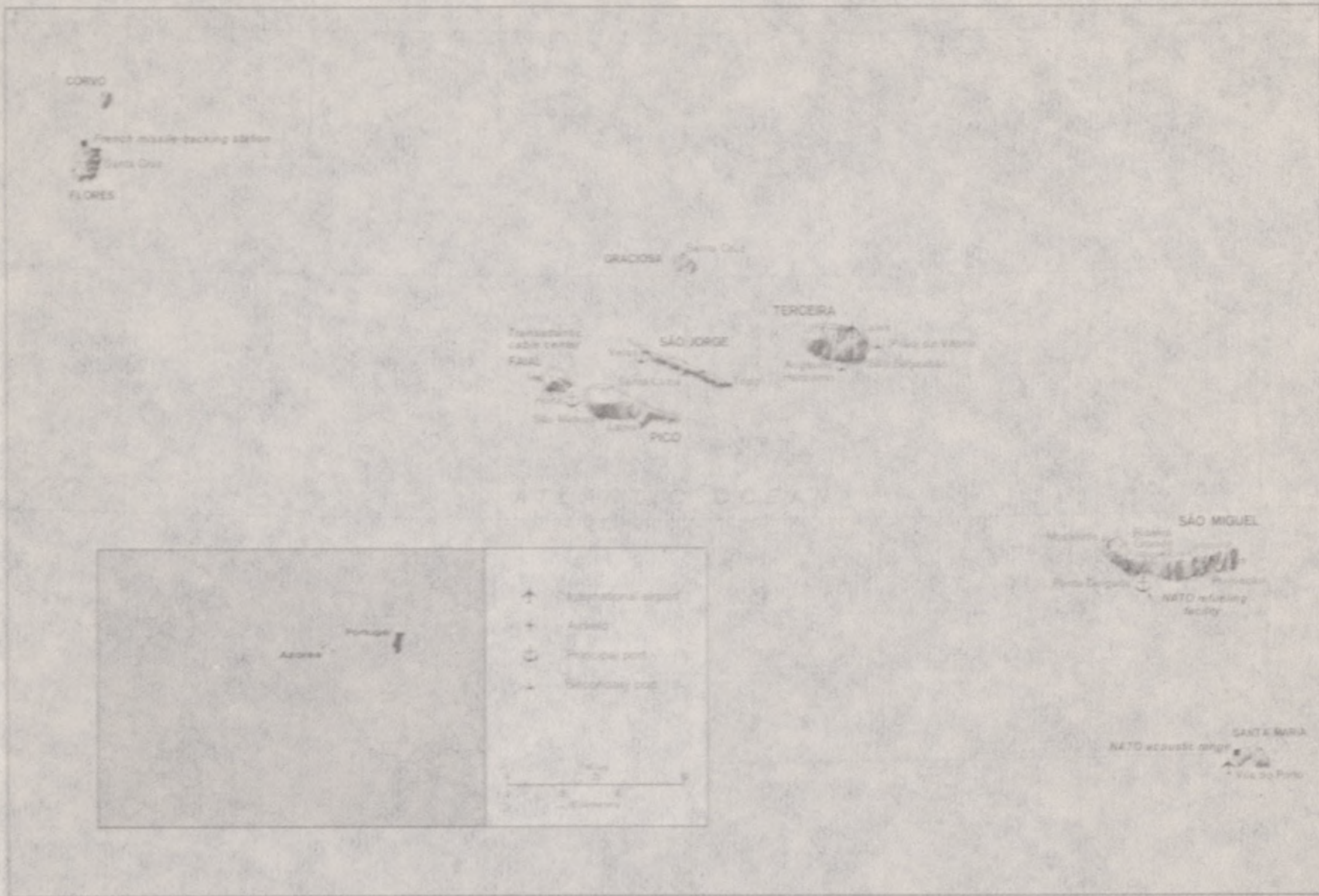
While I find much that is disquieting about the constitutional reform currently being contemplated, it is nevertheless a remarkable beginning after more than a third of a century of dictatorship. With patience and persistent pressure, the United States and its allies in Western Europe should be able to bring about further liberalization in Spain. I am convinced that if the United States by rejecting the treaty condemns as unacceptable the still modest, but promising, beginning which Spain is making to become a modern, democratic society the effect will be not to aid democracy in that country, but to set it back by many years.

<sup>1</sup> In the present Cortes, 80 per cent of the members are indirectly chosen by the various approved corporate bodies. Representatives of the family sector are the only ones chosen by direct ballot in which all heads of households, including non-married adults living alone, are permitted to vote.





# Azores



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