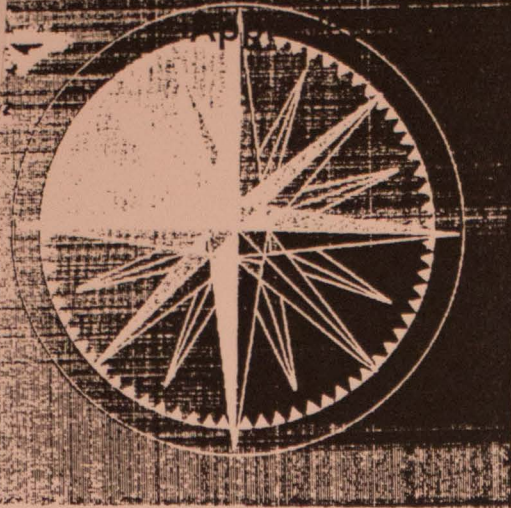


~~SECRET~~



Release 2000/08/16 : NLJ-001-204-3-33-8

B

24 January 1964

SC No. 00603/64B

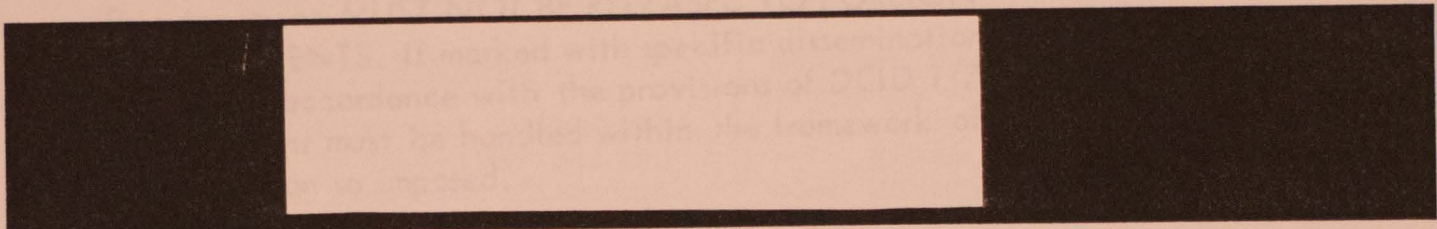
Copy No. 3

*Spencer*

172

# SPECIAL REPORT

THE ECONOMIC AND POLITICAL ENVIRONMENT IN SPAIN



25X1A

CENTRAL INTELLIGENCE AGENCY  
OFFICE OF CURRENT INTELLIGENCE

**SANITIZED**

**Authority** RAC-NLJ 001-204-3-33

**By** jis, **NARA, Date** 12-3-02

NO FOREIGN DISSEM

~~SECRET~~

Approved For Release 2000/08/16 : NLJ-001-204-3-33-8 GROUP 1 Excluded from automatic  
downgrading and declassification



24 January 1964

**THE ECONOMIC AND POLITICAL ENVIRONMENT IN SPAIN\***

The Spanish economy, which has been expanding markedly since the inauguration of the Franco regime in 1939, will receive the impetus during the next four years under the 1963-1966 economic and social develop-

THIS MATERIAL CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE LAWS, TITLE 18 USC, SECTIONS 793 AND 794. THE TRANSMISSION OR REVELATION OF WHICH IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW.

**DISSEMINATION CONTROLS**

This document MUST NOT BE RELEASED TO FOREIGN GOVERNMENTS. If marked with specific dissemination controls in accordance with the provisions of DCID 1/7, the document must be handled within the framework of the limitation so imposed.

stability during the preceding 23 months. The program had the effect of permitting considerably greater freedom from government controls in key sectors of the national economy. Now, practically all the economic indexes show an upward trend. The gross national product increased in 1963 by more than 7 percent and probably will continue to grow at about the same rate in 1964. Although Spain ran a substantial trade deficit by mid-1963, this was more than offset by receipts from private foreign investments, the growing flood of tourists, and the increasing number of

Spain has been showing increasing interest in ties with the European Economic Community (EEC). This has been behind the regime's efforts to encourage further economic development, and thereby bring the country closer to economic parity with the members of the EEC. The latest move in this effort is the government's new economic and social development plan aimed at achieving a 6-percent annual increase in GNP by heavy public and private investment.

Political Trends

The regime nevertheless remains firmly authoritarian.

25X1A

~~SECRET~~



~~SECRET~~

24 January 1964

THE ECONOMIC AND POLITICAL ENVIRONMENT IN SPAIN\*

The Spanish economy, which has been expanding markedly since the inauguration of a stabilization program in 1959, will receive a further boost during the next four years under the \$5.6-billion economic and social development plan announced by Madrid on 1 January. As in the past, collateral effects of this effort to modernize the economy and free it from controls will be felt in domestic politics. There are no signs, however, that Franco and his circle are ready to make more than token gestures toward a return to anything like representative government.

Except among the Communists, it is clear that organized opposition to the regime remains fragmented and weak. There are indications, however, that organized labor, rather than political groups, is more likely to induce pressures for a gradual easing of some of the more repressive official limitations on political expression and activity.

Economic Factors

Spain's economic stabilization program of mid-1959 halted inflation and achieved financial stability during the ensuing 12 months. The program had the effect of permitting considerably greater freedom from government controls in key sectors of the national economy. Now, practically all the economic indexes show an upward trend. The gross national product increased in 1962 by more than 7 percent and probably continued to grow at about the same rate in 1963. Although Spain ran a substantial trade deficit by mid-1963, this was more than offset by receipts from private foreign investments, the growing flood of tourists, and the increasing number of

Spanish workers employed in industry abroad.

Since early 1962 Spain has been showing increasing interest in ties with the European Economic Community (EEC). This has been behind the regime's efforts to encourage further economic development, and thereby bring the country closer to economic parity with the members of the EEC. The latest move in this effort is the government's new economic and social development plan aimed at achieving a 6-percent annual increase in GNP by heavy public and private investment.

Political Trends

The regime nevertheless remains firmly authoritarian.

25X1A

~~SECRET~~

1



~~SECRET~~

Significant political and social changes are probably going on beneath the surface in Spain, but in the absence of any of the usual forms of expression these are hard to identify and evaluate. Some government effort has been made--apparently with European public opinion in mind--to make it appear that Spain is preparing to divest itself of some of the trappings of Franco's personal rule and move toward a parliamentary democracy. The regime has granted a modicum of freedom to Protestant religious groups and even replied to letters from oppositionist intellectuals protesting its policies toward striking workers. It soon terminated this correspondence, however, and an apparent relaxation of press censorship in the summer of 1962 has proved to be only temporary, despite repeated references by regime officials to the new freedom of the press.

The constitutional changes which elements within the Franco regime have proposed thus far are very limited in nature and look ahead to the post-Franco era. Meanwhile, severe restrictions on most civil liberties continue. Critics of the regime may not organize, except clandestinely and with heavy risk of discovery. There is thus little likelihood that any united opposition to Franco could develop.

The proposed constitutional changes are embodied in a project for a new state organic law which, according to a senior gov-

ernment official, has been under consideration by Franco since mid-November. This legislation provides for a prime minister who, with his cabinet, would be appointed by the chief of state--whether king, president, or regent. The prime minister would be in charge of day-to-day operations of the government and would exercise the functions of the chief of state in the event of the latter's incapacity or death in office. The cabinet would have a fixed period of tenure--possibly three years--during which time the prime minister could not be dismissed by the chief of state. It would be subject to initial parliamentary approval, but presumably could not be subsequently overthrown on a vote of confidence.

Under the new proposal the unicameral legislature, or Cortes, which has been little more than a rubber-stamp body under Franco, would be expanded and made into the lower house of a two-chamber parliament, and its members would apparently be elected rather than appointed as at present. Both chambers would have increased powers, but would not be directly representative of the electorate, since there is no provision legalizing political parties other than the entrenched Falange. Indeed, a major objective of the proposed legislation appears to be to strengthen the Falange's popular appeal.

The changes proposed in the executive and legislative branches

~~SECRET~~



~~SECRET~~

may have been contrived partly with an eye to easing Spain's public relations problems in other Western European countries. More significantly, however, they reflect an awareness among regime supporters of the need to make advance preparations for the conduct of government after Franco leaves the scene, in order to allay domestic fears that his departure will result in political instability. Since the draft law would not take effect during Franco's tenure of office, it seems likely that he will not reject it out of hand.

#### The Opposition

One of Franco's assets is that his opposition is deeply divided. Although non-Communist groups have made some slight progress toward mending their differences, this has not gone far enough to affect their capability for joint thinking and efforts. The major opposition groups--Christian Democrats, Socialists, Anarchists, Monarchists, and Communists--might total 14,000 active members, although this is purely guesswork. Their incurable factionalism is probably the main cause of their failure to win wide popular support. Most Spaniards feel that the political alternatives to the Franco regime are risky, and that another civil war must be avoided at all costs.

The Christian Democrats and the Socialists probably would have the largest following if they were free to organize.

The Christian Democratic right wing, together with the Anarchists and Monarchists, persist in remaining aloof from the Union of Democratic Forces, a coalition established in June 1961, of the Christian Democratic left, the Socialists, and several minor groups, including the Basque Nationalists.

The Socialists inside Spain are becoming increasingly alienated from those who have been in exile since Franco's advent to power. Their views diverge particularly on the question of collaborating with the Communists, which is favored by the Socialists inside Spain. Their falling out will be widened as the result of a reported demarche recently made by Socialist leaders within Spain advocating a post-Franco parliamentary regime which would permit Socialist representation. Some cabinet ministers and high military officers have reacted sympathetically to this proposal. The Socialists in question claim to have broken completely with the exiles, arguing that the latter are out of touch with developments in Spain and can never play an important political role. The regime seems to see some advantage in tolerating this group in order to foster splits among the Socialists.

The underground Socialist and Anarchist labor unions have also tried to set the Socialist exiles at odds with those inside the country. In the fall of 1962 the two unions formed the Spanish Workers Syndical Alliance,

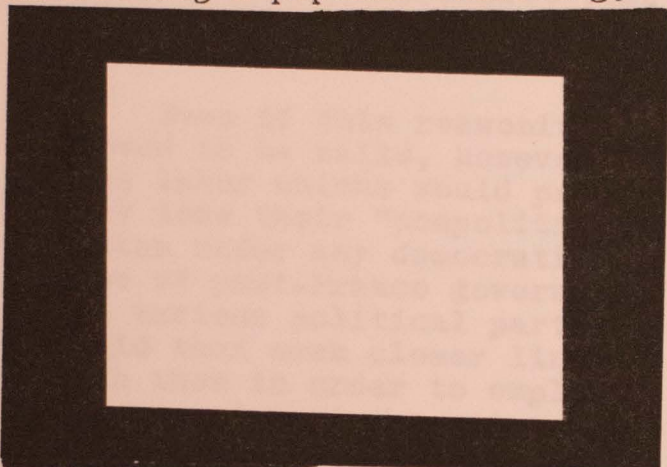
~~SECRET~~



~~SECRET~~

reportedly with the aim of creating a unified labor movement. Their agreement provides, however, that each group shall retain the right to act autonomously. A major objective may have been to have secure, direct access to financial aid from the international free labor organizations and to avoid dependence on allocations from the exiles' headquarters.

Among all the opposition groups, the Communists alone appear to be gaining ground in attracting a popular following.



25X1C

They are thus able to give their followers a feeling that they are making a contribution to hastening the overthrow of the Franco regime.

#### Labor's Position

Organized labor in general, despite substantial wage boosts won through collective bargaining during the last three years, is becoming increasingly disillusioned with the state-controlled syndicate organization in which it and management are grouped by industrial sectors.

The workers' principal complaint is that the syndicates are not responsive to their needs. They also resent the syndicates' ties to the Falange and the fact that syndicate officials are appointed, not elected. The workers' dissatisfaction with the syndicates was one of the factors underlying the protracted strike last August and September by the coal miners in the Asturias. The regime's efforts to resolve this with conciliatory measures rather than the repressive tactics it had employed on previous occasions led to rumors of impending change in the syndicates.

However, the constitutional changes proposed for the post-Franco period do not envisage any far-reaching reforms in the labor field beyond the implication that the tie between the Falange and the syndicates may be broken. Meanwhile, the syndicates are not likely to take early action increasing the number of elected officials, although they have been debating such a move since early 1962. Scrapping the syndicates in favor of bona fide trade unions now seems even more improbable in the foreseeable future since Franco, in his year-end address to the nation on 30 December, described the syndicate organization as "dynamic" and essential to the success of the Economic and Social Development Plan.

Nevertheless, there appears to be strong sentiment among some cabinet members for doing away with the syndicates at a

~~SECRET~~



~~SECRET~~

future date. Vice President Munoz Grandes, Information Minister Fraga Iribarne, and Jose Solis Ruiz, minister - secretary general of the National Movement (largely the Falange party) and chief of the syndicate organization, are reliably reported to feel that "free" nonpolitical trade union organizations of Socialist, Catholic and other non-Communist persuasion must eventually replace the syndicates. They reason that the greater the number of labor movements, the less the political threat to the government, because they expect that the various groups would have nothing to do with one another.

Even if this reasoning proved to be valid, however, such labor unions would probably lose their "nonpolitical" status under any democratic type of post-Franco government. The various political parties would then seek closer links with them in order to exploit the appeal that the unions have traditionally exerted among large sectors of the population.

#### The Falange

The Falange--Spain's only legal party--which makes up the bulk of the regime's National Movement, has been steadily declining in power and prestige over the years, and now is not much more than a bureaucratic machine with little popular following. In this process it has lost most of the fervor of its initial crusade for social justice. Left wingers among its

leaders, increasingly concerned that there would be no niche for it in the post-Franco era, have recently been holding nationwide meetings to drum up popular support. Falangist speakers have attacked the many existing social injustices, the inadequacy of the syndicates for furthering the workers' cause, and what they regard as the present outmoded capitalist society.

When a substantial number of intellectuals last fall signed protest letters to Information Minister Solis Ruiz, alleging police brutalities to striking Asturias miners in the summer of 1963, Falangist and syndicalist officials also wrote a letter urging that the government investigate the intellectuals' charges. They argued that the public was confused by press accounts and not convinced that the accusations were untrue. The letter assailed the regime's labor policy and claimed that the Asturias strikes were only a beginning of labor strife, and that violent strikes would follow since the workers had no other outlet for expressing their dissatisfaction. It maintained that the syndicates no longer truly represent the working class, that the regime had been taken over by capitalists and technocrats, and that the Falange should take the side of the workers.

A more recent indication that the Falange is trying to expand its influence is to be found in a mid-January public

~~SECRET~~



~~SECRET~~

statement by its deputy secretary general that it is Spain's mission to help the developing Latin American countries find new political and social structures.

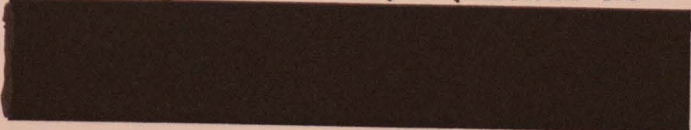
Falangist hopes for attracting a strong labor following are not likely to be realized in view of the party's failure to keep up with the times. It is even less likely that the party could ever become a popular political force. A senior Falange official recently told the US Embassy that a reconstituted Falange would within five years have evolved a social program sufficiently comprehensive to win the support of the great majority of the population, leaving the opposition parties without grass-roots following. This reveals the depth of wishful thinking inside the party.

#### Outlook

Although the Franco regime is not likely to undertake any far-reaching reforms in the governmental system or permit the full exercise of civil liberties, it has in effect served public notice that it anticipates political change. In his year-end address in which he praised the National Movement and the syndicates, Franco also stated that evolution was

possible in the present system. Public opinion is becoming somewhat bolder in criticism. As liberalization of the economy continues, public pressure for a beginning of political reforms will grow. This pressure will be stimulated by increasing contact between Spaniards and growing numbers of foreign tourists from democratically governed countries. Of even more significance, returning Spanish workers will spread the word of labor's political and economic gains in other Western European countries where they have lived and worked.

Spanish labor may well become the motive force behind growing pressure for a gradual lifting of restrictions on political liberties.. Because it is an indispensable factor in continued economic expansion, it is in a reasonably strong position to exert pressure on the regime. Unless some democratization of the syndicates takes place soon--and this seems improbable--labor will be tempted to dispense with them as a channel for bringing its grievances into the open.. It may more and more seek to arouse the government to action by manifestations of widespread unrest and serious work stoppages. Under such conditions, the opposition groups may become more alert to exploiting their opportunities for unity of action. (SECRET-NO



25X1A

~~SECRET~~