

*Spain*

*Prime Minister*

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TELEGRAM NUMBER 329 OF 18 SEPTEMBER 1980

INFO ROUTINE GIBRALTAR (PERSONAL), LISBON, UKREP BRUSSELS,  
UKDEL NATO, WASHINGTON

**SPANISH GOVERNMENT'S PROGRAMME**

1. SUAREZ FOLLOWED HIS CHANGE OF GOVERNMENT (MADRID TELNOS 318, 319 AND 320) BY ANNOUNCING A NEW PROGRAMME ON 16 SEPTEMBER WHICH IS TO BE PUT TO A VOTE OF CONFIDENCE TONIGHT. REACTIONS TO IT SUGGEST HE WILL WIN THIS AND THE PROGRAMME WILL THUS BECOME THE GOVERNMENT'S BROAD PLAN OF ACTION, DESIGNED TO SEE IT SAFELY THROUGH TO THE NEXT ELECTIONS IN 1983. THE PROGRAMME IS AUSTERE AND AMBITIOUS. IT COVERS ECONOMIC POLICY AND SOME SWEEPING SOCIAL AND CONSTITUTIONAL CHANGES. FOREIGN POLICY WAS EXCLUDED; THE PRIME MINISTER SAID THAT THIS REMAINED UNCHANGED FROM THAT ANNOUNCED AFTER THE LAST ELECTION (MADRID SAVING TELNO 7 OF 2 APRIL 1979).

2. THE ECONOMY, WHOSE WEAK STATE AND UNCERTAIN PROSPECTS UNDERLAY THE RECENT GOVERNMENT CRISIS, IS TO BE TACKLED WITH LARGELY CONVENTIONAL REMEDIES. THE AIM IS TO RAISE THE GDP TO 4-5 PER CENT ANNUAL GROWTH BY 1983, THOUGH PROGRESS IS NOT EXPECTED BEFORE 1981. THE EMPHASIS IS SHIFTED SLIGHTLY FROM CONTROL OF INFLATION TO THE REDUCTION OF UNEMPLOYMENT, THOUGH THE CONSTRAINTS OF CONTINUING INFLATION AND POOR BALANCE OF PAYMENTS PROSPECTS ARE EXPLICITLY RECOGNISED. JOBS ARE TO BE SUSTAINED THROUGH INCENTIVES TO INVESTMENT BY THE PRIVATE SECTOR AND BY INCREASED PUBLIC EXPENDITURE PARTICULARLY ON ENERGY, HOUSING, TRANSPORT AND AGRICULTURAL INFRASTRUCTURE. AT THE SAME TIME THE GOVERNMENT ARE TO APPLY SEVERE RESTRAINTS ON PUBLIC EXPENDITURE ON CURRENT ACCOUNT, SUPPLEMENTED BY FISCAL MEASURES WHICH WILL RAISE THE INDIRECT TAX BURDEN. DEFENCE EXPENDITURE IS TO BE CUT: WE UNDERSTAND THAT THIS WILL REDUCE THE ARMY PROCUREMENT BUDGET BY 50 PER CENT, WHICH SEEMS LIKELY TO AFFECT THE PROSPECTS FOR RAPIER AND OTHER ARMS SALES IN THE PIPELINE. SUAREZ EMPHASISED THAT SACRIFICES FROM ALL WOULD BE NEEDED.

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3. SUAREZ IS ALSO TO GET A GRIP ON REGIONAL POLICY. THE PROCESS OF DEVOLUTION IS TO BE COMPLETED BY 1983, WITH GALICIA RECEIVING THE SAME POWERS AS THE BASQUE COUNTRY AND CATALUNIA, AND ANDALUSIA GETTING SPECIAL TREATMENT. IN THE SOCIAL FIELD SUAREZ PROMISED A SWEEPING OVERHAUL OF THE JUDICIAL SYSTEM AND A BILL GUARANTEEING PUBLIC LIBERTIES. CENTRAL AND LOCAL GOVERNMENT IS TO BE THOROUGHLY OVERHAULED AND FURTHER LABOUR LEGISLATION IS TO BE INTRODUCED.

4. THIS PROGRAMME REPRESENTS A REINFORCEMENT OF EXISTING POLICIES RATHER THAN A CHANGE OF TACK. BUT THE ECONOMIC PROGRAMME FOR THE FIRST TIME BEARS SUAREZ' PERSONAL STAMP. AS WAS CLEAR FROM THE SUBSEQUENT DEBATE (DETAILS BY BAG) SUAREZ HAS MOVED TO THE OFFENSIVE AND , WITH THE HELP OF A NEW TEAM WHICH LOOKS PROMISING, MEANS TO MAKE HEADWAY. NEVERTHELESS THE GOVERNMENT'S ECONOMIC PERFORMANCE WILL REMAIN THE TOUCHSTONE OF ITS SUCCESS AND HERE THE PROSPECTS ARE FAR FROM CHEERING. IN PARTICULAR THE 4-5 PER CENT GROWTH TARGET MAY PROVE A HOSTAGE TO FORTUNE.

PARSONS

[THIS TELEGRAM WAS NOT ADVANCED]

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