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TO PRIORITY FCO

TELEGRAM NUMBER 243 OF 10 DECEMBER 1980

INFO SAVING TO: UKREP BRUSSELS, UKDEL NATO, WASHINGTON, UKMIS NEW YORK, MADRID, PARIS AND BONN

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POLITICAL SITUATION

1. FREITAS DO AMARAL FORMALLY TENDERED THE RESIGNATION OF THE 6TH CONSTITUTIONAL GOVERNMENT TO PRESIDENT EANES YESTERDAY 9 DECEMBER. HE SAID AFTERWARDS THAT HE WOULD NOT BE A MEMBER OF THE NEXT GOVERNMENT. HE ADDED THAT THE RESULTS OF THE THE LEGISLATIVE AND PRESIDENTIAL ELECTIONS TAKEN TOGETHER MEANT THAT IT WAS NOW NECESSARY TO OPT FOR "INSTITUTIONAL COOPERATION" BETWEEN THE GOVERNMENT AND THE PRESIDENT OF THE REPUBLIC. HE THOUGHT THAT HIS ABSENCE FROM THE GOVERNMENT WOULD MAKE THIS PROCESS EASIER. HIS DECISION HAD BEEN A PERSONAL ONE AND WAS CONSISTENT WITH WHAT HE HAD SAID BEFORE THE PRESIDENTIAL ELECTIONS. AFTER THE TRAGIC LOSS OF ONE OF THE HISTORICAL LEADERS OF THE DEMOCRATIC ALLIANCE THE INCLUSION OF THE OTHER IN GOVERNMENT WOULD LEAD TO IMBALANCES.

2. FREITAS SAID THAT SUNDAY'S ELECTION RESULTS DID NOT CONSTITUTE A POSTHUMOUS DEFEAT FOR SA CARNEIRO BUT IT HAD BEEN A DEFEAT FOR THE ALLIANCE'S ELECTION STRATEGY. THIS WAS A POLITICAL DEFEAT FOR WHICH ALL CONCERNED SHARED THE RESPONSIBILITY. THE ALLIANCE'S STRATEGY FOR THE FUTURE WOULD BE BASED ON THE REINFORCEMENT OF THE ALLIANCE'S PARLIAMENTARY MAJORITY AND THE DEVELOPMENT OF COOPERATION WITH THE PRESIDENT OF THE REPUBLIC. THE EXTENT OF THIS COOPERATION WOULD DEPEND ON THE PRESIDENT'S BEHAVIOUR. THE ALLIANCE WOULD BE WATCHING HIS ACTIONS CAREFULLY AND WOULD OPPOSE ALL ATTEMPTS BY HIM OR HIS SUPPORTERS TO DESTROY THE DEMOCRATIC ALLIANCE OR PLACE OBSTACLES IN THE WAY OF THE GOVERNMENT. IF AN IMPASSE WERE CREATED THE ONLY SOLUTION WOULD BE MID-TERM ELECTIONS.

3. FREITAS'S DECISION OPENS THE WAY FOR A MAJOR CHANGE IN THE ALLIANCE'S STRATEGY. IMMEDIATELY AFTER THE PRESIDENTIAL ELECTION RESULTS WERE ANNOUNCED FREITAS MADE NO ATTEMPT TO CONCEAL HIS BITTERNESS ABOUT PRESIDENT EANES SAYING THAT THE GOVERNMENT WOULD NOT TOLERATE INTERFERENCE BY THE PRESIDENT IN MATTERS WITHIN ITS OWN COMPETENCE. HE SEEMED PREPARED TO CONTINUE THE STRUGGLE BETWEEN THE GOVERNMENT AND THE PRESIDENT. HE NOW APPEARS TO HAVE REALISED THAT EANES'S VICTORY BY SUCH A DECISIVE MAJORITY MEANS THAT THE PORTUGUESE PEOPLE HAVE CHOSEN DIALOGUE RATHER THAN CONFRONTATION. THE LOSS OF HIS CLOSE FRIEND AND POLITICAL STRATEGIST, AMARO DA COSTA, WILL ALSO HAVE BEEN A FACTOR IN THIS DECISION. BUT HE IS AN EMOTIONAL MAN AND HIS DECISION TO GO IS IN CHARACTER - A GESTURE OF DISGUST AT THE VICTORY OF EANES AND THE LEFT.

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4. THE NATIONAL COUNCIL OF THE SOCIAL DEMOCRATIC PARTY ARE TO MEET AT THE WEEKEND TO CHOSE A SUCCESSOR TO SA CARNEIRO AS PARTY LEADER. IT IS EXPECTED THAT WHOEVER IS CHOSEN WILL ALSO BE THE NEXT PRIME MINISTER AND THE FRONT RUNNER AT THE MOMENT IS THE PRESENT MINISTER ASSISTANT TO THE PRIME MINISTER, FRANCISCO PINTO BALSEMAO WHO IS VERY WELL DISPOSED TO US AND WHOM YOU MET AT MY HOUSE IN APRIL. THE PRESS HAVE SUGGESTED THAT TWO VICE PRIME MINISTERS MIGHT BE APPOINTED, THE PRESENT FINANCE MINISTER, CAVACO E SILVA FOR THE SOCIAL DEMOCRATS WITH OVERSIGHT OF ECONOMIC MATTERS, AND LUCAS PIRES FOR THE CENTRE DEMOCRATS. IF BALSEMAO IS CHOSEN WE WOULD EXPECT HIM TO ADOPT CONCILIATORY TACTICS TOWARDS EANES, WHO SHOULD ALSO FIND HIM EASY TO DEAL WITH. AS A MEMBER OF THE LEFT WING OF THE CENTRE DEMOCRATIC PARTY HE IS ALSO SEEN BY MANY AS A MAN BEST EQUIPPED TO OPEN NEGOTIATIONS WITH THE SOCIALIST PARTY WITH WHOM HE HAS GOOD RELATIONS OVER THE REVISION OF THE CONS-
-TITUTION. MARIO SOARES, WHO OPPOSED GENERAL EANES DURING THE ELECTION CAMPAIGN, YESTERDAY REASSUMED HIS POSITION AS SECRETARY GENERAL OF THE SOCIALIST PARTY. ALTHOUGH HE WILL, THEREFORE, REMAIN THE PARTY LEADER HIS AUTHORITY WITHIN THE PARTY WILL HAVE BEEN WEAK-
-ENED BY EANES'S VICTORY.

5. FCO PLEASE PASS-TO-SAVING ADDRESSEES.

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