

GRS 330

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Portugal
Prime Minister

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FM LISBON 131050Z AUGUST

TO PRIORITY FCO

TELEGRAM NUMBER 088 OF 13 AUGUST 1981

SAVING TO: UKREP BRUSSELS, UKDEL NATO, MADRID AND MOD (D13 LT COL OXLEY)

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PORTUGAL: THE AFTERMATH OF BALSEMAO'S RESIGNATION (MY TELNO 086)

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1. ON 11 AUGUST EANES ACCEPTED BALSEMAO'S RESIGNATION WHILST REAFFIRMING THAT THE PRIME MINISTER HAD NOT LOST HIS OWN CONFIDENCE SEMICOLON NEITHER HAD HE RESORTED TO A MOTION OF CONFIDENCE IN THE ASSEMBLY. THE GOVERNMENT WILL STAY IN THEIR FUNCTIONS UNTIL A SUCCESSOR IS SWORN IN.

2. THE NEXT SIGNIFICANT EVENT IS THE PSD NATIONAL COUNCIL MEETING WHICH STARTS ON 14 AUGUST AND COULD LAST THE WEEKEND. IT IS DUE TO CONSIDER THE ALTERNATIVES FOR THE PRIME MINISTER.

3. THE SITUATION IS STILL CONFUSED. BALSEMAO'S CRITICS HAVE BEEN PUT AT THE DISADVANTAGE OF HAVING TO SUBMIT THEIR CANDIDATE TO THE NATIONAL COUNCIL WHICH HAS A PRO-BALSEMAO MAJORITY DATING FROM THE FEBRUARY 1981 CONGRESS. AT THE SAME TIME THEY CANNOT REFUSE TO NOMINATE A CANDIDATE FOR FEAR OF BEING LABELLED IRRESPONSIBLE. WHICHEVER PRIME MINISTER EMERGES (WHETHER BALSEMAO HIMSELF, ONE OF THE CRITICS LIKE CAVACO E SILVA OR A COMPROMISE FIGURE) HE WILL HAVE TO FACE THE ENDORSEMENT OF A PSD CONGRESS WHICH IS STILL WHAT IS NEEDED TO CLEAR THE AIR. BALSEMAO REMAINS PRESIDENT OF THE PARTY UNTIL THEN.

4. THE DEMOCRATIC ALLIANCE STILL HAS THE NECESSARY CONDITIONS TO SURVIVE. INDEED IN SEVERAL OF THE POSSIBLE OUTCOMES IT WOULD EMERGE STRENGTHENED (THOUGH IT IS DIFFICULT TO SEE THE CDS REJOIC-
-ING ABOUT BALSEMAO'S RETURN). IT IS THEREFORE TOO EARLY TO TALK OF A CRISIS OF THE REGIME AS SECTIONS OF THE BRITISH PRESS HAVE TENDED TO DO. THE NEW PRIME MINISTER, HOWEVER, MUST BE ABLE TO IMPOSE PARTY DISCIPLINE AND SEEK TO CONVINCE THE ELECTORATE HE HAS THE TEAM TO PUT INTO EFFECT THE PROGRAMME OF LIBERAL REFORMS THEY VOTED FOR LAST OCTOBER.

5. WE DO NOT THINK THAT RECENT DIFFICULTIES WITHIN THE DEMOCRATIC ALLIANCE NEED SERIOUSLY THREATEN RETURNING STABILITY IN PORTUGAL. HOWEVER, AUSTERITY MEASURES ANNOUNCED LAST MONTH HAVE ALREADY HAD SOME EFFECT ON BUSINESS CONFIDENCE AND A NUMBER OF PURCHASING DECISIONS ARE LIKELY TO BE DELAYED AFTER THE AUGUST HOLIDAYS.

6. FCO PLEASE PASS TO SAVING ADDRESSEES.

BYATT

[REPEATED AS REQUESTED]

FCO/WHITEHALL
SED

[NOT ADVANCED]

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