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FM MADRID 291130Z JAN 82

TO PRIORITY FCO

TELEGRAM NUMBER 59 OF 29 JANUARY

INFO UKDEL NATO, GOVERNOR GIBRALTAR (PERSONAL) P.S. TO NO. 10. DOWNING ST.
INFO SAVING EC POSTS AND LISBON.

SPAIN: POSITION OF THE GOVERNMENT.

1. THREE MEMBER ON THE RIGHT WING OF THE GOVERNMENT PARTY (UCD) LEFT THE UCD ON 28 JANUARY TO JOIN COALICION DEMOCRATICA, THE RIGHT WING PARLIAMENTARY GROUP DOMINATED BY SR FRAGA'S ALIANZA POPULAR. THEY INCLUDE THE FORMER CHIEF WHIP, HERRERO DE MINON. THE PRIME MINISTER COVENED A MEETING WITH EIGHT MEMBERS OF THE GOVERNMENT AND THE SECRETARY GENERAL OF THE UCD LATER IN THE DAY TO CONSIDER THE SITUATION. TODAY'S CABINET MEETING WILL TAKE STOCK FURTHER. EXAGGERATED RUMOURS (REFLECTED BY THE BBC) IMMEDIATELY BEGAN TO CIRCULATE THAT PARLIAMENT WAS TO BE DISSOLVED AND EARLY ELECTIONS WOULD BE HELD.

2. THE DEPARTURE OF THESE DEPUTIES IS BAD FOR THE GOVERNMENT'S NERVES AND THE PARTY'S MORALE. UCD STRENGTH SINCE THE LAST ELECTION HAS NOW FALLEN FROM 168 TO 151. BUT THE NEW MOVE SEEMS UNLIKELY TO START AN AVALANCHE AND WILL NOT SERIOUSLY REDUCE THE GOVERNMENT'S STRENGTH IN PARLIAMENT. THE THREE DEPUTIES DO NOT REPRESENT THE MAIN STREAM WITHIN UCD, AND HAVE PROMISED TO GIVE UNCONDITIONAL SUPPORT TO THE GOVERNMENT IN PARLIAMENTARY VOTES. THE SOCIALISTS ARE COOPERATING WITH THE GOVERNMENT ON THE MAJOR LEGISLATIVE ISSUES BEFORE PARLIAMENT AND HAVE MADE CLEAR THAT THEY SEE NO JUSTIFICATION FOR EARLY ELECTIONS. ON OTHER ISSUES THE GOVERNMENT SHOULD GET ADEQUATE SUPPORT FROM BOTH FRAGA'S COALICION DEMOCRATICA AND THE REGIONAL PARTIES.

3. CALVO SOTELO HAS SEVERAL CLEAR REASONS FOR SEEING OUT THE PRESENT LEGISLATURE TO MARCH 1983, WHICH IS HIS REPEATEDLY PROCLAIMED INTENTION, OR AT LEAST UNTIL LATER THIS AUTUMN. A SNAP ELECTION BEFORE THE COURT-MARTIAL OF LAST YEAR'S CONSPIRATORS DUE TO START NEXT MONTH WOULD THROW THE COUNTRY INTO TURMOIL WHICH FELIPE GONZALEZ WOULD FIND IT HARD TO HANDLE. THIS IS TO BE FOLLOWED BY THE ANDALUSIAN ELECTIONS IN MAY, HOPEFULLY NATO ENTRY IN MID-SUMMER, AND THE WORLD CUP IN JUNE AND JULY. THE DISINCENTIVES FOR EARLY ELECTIONS, WHICH NEITHER OF THE MAJOR PARTIES WANT, ARE THEREFORE STRONG. BUT THE POSSIBILITY HAS NOW BEEN RAISED THAT FURTHER DEFECTIONS FROM EITHER THE LEFT OR THE RIGHT OF THE UCD, OR THE THREAT OF THEM, WOULD FORCE HIS HAND. CALVO SOTELO MADE CLEAR IN A SPEECH ON 25 JANUARY THAT HE CONSIDERS THIS RISK A REAL ONE. THERE IS NO CERTAINTY THAT THE GOVERNMENT CAN STAUNCH THE FLOW. BUT A GOOD SOURCE IN FRAGA'S AP HAS INDICATED THAT THEY DO NOT EXPECT TO SEE FURTHER DEFECTIONS. WITH POLLS CONTINUING TO SHOW OPINION FLOWING STRONGLY IN THE SOCIALISTS' FAVOUR, ELECTIONS NOW RISK BEING SUICIDAL; THIS MAY HELP TO STEADY THE RANKS AND CONCENTRATE THE MINDS OF UCD WAVERERS.

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4. THE ODDS ARE THEREFORE THAT CALVO SOTELO WILL CONTINUE TO SOLDIER ON (THUS FULFILLING THE LISBON AGREEMENT ON GIBRALTAR), AT LEAST UNTIL HE SEES HOW THE GOVERNMENT AND PARTY WEATHER THE ANDALUSIAN ELECTIONS. BUT HE WILL REMAIN A HOSTAGE TO THE BEHAVIOUR OF HIS OWN FOLLOWERS WHO HAVE THE POWER BY THEIR IRRESPONSIBILITY TO PRECIPITATE EARLY ELECTIONS. THIS WILL MAKE HIM NERVOUS AND EXIGENT IN THE CONDUCT OF SPAIN'S FOREIGN POLICY, AND EVEN MORE ANXIOUS TO SECURE PRACTICAL BENEFITS FROM RE-OPENING THE GIBRALTAR FRONTIER. THIS STRENGTHENS THE ARGUMENT FOR US TO HEED THE SPANISH PLEA NOT (NOT) TO MAKE FURTHER STATEMENTS FOR THE TIME BEING ABOUT THE EQUALITY OF SPANISH WORKERS IN GIBRALTAR WITH NON-EC NATIONALS (MY TELNO 42.)

FCO PLEASE PASS TO SAVING ADDRESSEES

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