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SAVING TELEGRAM

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THE PORTUGUESE SCENE AT THE TIME OF DR MARIO SOARES' VISIT  
TO LONDON (20 - 23 NOVEMBER).

SUMMARY

1. The Socialist/Social Democrat coalition Government is in a lacklustre phase. It seems numbed into inaction by the forward shadow of next year's Presidential elections, and has not yet grasped the nettle of radical economic and labour reforms. Though the Government has real achievements to its credit, the ordinary voter is worse off than he was, and Soares may be tempted to reflate early for electoral reasons. Meanwhile, he claims credit for securing EC accession (ie the Constat d'Accord) and remains the dominant political figure.

2. Though still undeclared, few doubt that Soares will run in the Presidential election at the end of 1985. He would be the first civilian President for 50 years. He has much in his favour including a courageous record as a democrat, but other candidates are yet to appear and there is still a year to go. The Constitution limits the electoral campaign to 30 days but it has effectively begun already and increasingly overshadows politics in Portugal.

DETAIL

Political

3. That the coalition has stayed together and provided stable government for 18 months is already an achievement, in a  
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country which has seen 15 governments in 10 years. With its large majority, the coalition could last a full 5 years, provided the Social Democrat (PSD) junior partners do not withdraw or divide. The PSD is a lively party with many factions, and Mota Pinto's leadership is more a matter of riding the rapids than imposing a clear direction. Soares needs him but finds the PSD an uncomfortable partner. There are regular attempts launched by other PSD leaders to dethrone Mota Pinto, or to commit the party to a course which would lead to the break-up of the coalition. Some still hanker after an alliance to the right, with the CDS, to reconstitute the Democratic Alliance (AD) who held power for three years until 1983, even though the CDS is still in disarray. For all his shortcomings, Mota Pinto survives as an amiable, if apparently ineffectual, figurehead. And he has kept his party in the coalition.

4. By contrast, Soares' leadership of the Socialists (PS) is unchallenged, except for minor outbursts from party ideologues, eg over the Internal Security Law. Indeed, apart from the President, Soares is easily the dominant political figure in Portugal. The party is waiting to see what will happen when Soares resigns to begin his Presidential campaign, which is generally expected next summer (see below). But he may be persuaded to remain in office until the autumn which would be healthier for the country. To the left, the Communists (PCP) with 18% of the vote remain on the margins, hoping to exploit discontent arising from the austerity measures.

5. Both the PS and PSD have reason to fear the collapse of the coalition, a factor for stability. They observe the slow formation of a new Eanist movement, based on participation politics in the provinces and benefitting from Eanes' image as a decent and dignified figure aloof from pork-barrel /politics

politics. And they know that any chaos in the coalition could provide the President with an excuse to dissolve the Assembly, calling new legislative elections in which an Eanist party could play havoc with existing party support. They also know that this power expires next July (six months before the end of his mandate).

### Presidential Elections

6. For over 50 years, every President of Portugal has been a military figure. In 1985 democratic Portugal on the brink of joining the EC may well break tradition. The elections will also show whether a party politician like Soares can persuade the electorate to close a chapter and reject candidates who came to prominence through the 1974 revolution, in either a military or civilian capacity. Only one candidate, the maverick and populist ex-Prime Minister Maria Lurdes de Pintasilgo, has so far declared herself. But it seems certain that Soares will run, endorsed by the PS.

7. To win outright on the first round, a candidate must poll over half the vote. Failing this, the two with most votes go to a second round. Much will therefore depend on who else is running. Soares must fear a squeeze. A good candidate to the right, endorsed by PSD or CDS, and Pintasilgo to the left with PCP backing, could eliminate him on the first round. If there are many candidates, Soares should reach the second round and is likely to win. But it is too early to make forecasts and much may depend on who gets the endorsement of Eanes. In the meantime, Soares will be concerned about how the Government's performance will reflect on his own campaign, and will avoid contentious legislation.

/ EXTERNAL

EXTERNALEC Accession

8. The Constat d'Accord has given the Government a fillip. It was Soares' idea and he has seized it as a personal triumph. As such it has proved a convenient distraction from the Government's period of drift. The trouble is that the "Constat" does nothing to help the lot of the average Portuguese wage earner beset by 30% inflation. The public reaction has been apathetic but the media has finally begun to open a public debate on the economic implications of accession.

Southern Africa

9. Although EC accession has been the main preoccupation, the coalition has made efforts to enhance Portugal's role vis-a-vis Lusophone Africa. Relations with Angola remain uneasy and affected by the direct links between the PCP and the MPLA government in Luanda. In the case of Mozambique, Portugal appeared to have reestablished warm links following President Machel's State Visit and the backstage help Portugal provided for the negotiations leading to the Nkomati Accords. But recent criticisms of the help given to Renamo by Portuguese nationals, including in some accounts members of the Government, have shown the fragility of relations. Portugal denied the charges, and now seems determined to stay out of the firing line,

ECONOMY

10. During their first year of office, the Government called in the IMF and made real efforts to resolve the economic crisis through an austerity programme. This choked consumption, reduced borrowings and achieved real improvements in the trade balance. The external account continues to improve strongly. But purchasing power, production and investment have fallen, while inflation and unemployment have /risen ,

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risen. The timing of any reflation will be crucial, and Soares will be tempted to raise public spending, to reduce taxes and relax the credit squeeze to improve the electoral climate next year.

11. The Government has taken some steps towards a more market orientated economy, by removing price controls and opening some sectors previously reserved for State monopolies, but has not undertaken more radical restructuring reforms with the urgency promised. Amendments to Labour Laws, moves to liberalise rents and tackle unprofitable public enterprises are still under discussion, and may be further delayed as Soares and others focus increasingly on the Presidential elections. And there is no sign of any clear policy for the important and backward agricultural sector, except to wait and allow EEC accession to impose changes.

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