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CENTRAL INTELLIGENCE AGENCY *DeL...*

8 June 1964

SPECIAL MEMORANDUM NO. 9-64

SUBJECT: Salazar's Current Prospects

*DeL...*

SUMMARY

Portugal's fortunes have improved measurably over the last two years. The Portuguese military has reduced the Angolan war to manageable proportions against present levels of terrorist activity. The Portuguese economy has shown the capacity to sustain a rapid increase in defense expenditures without seriously slowing domestic growth. By establishing direct military ties with France and with West Germany, Salazar has demonstrated that he is not wholly dependent on the US in this field and has broken the political isolation that has long hobbled Portugal's diplomatic efforts. Consequently, US efforts to move Salazar toward a public acceptance of self-determination or a formal agreement on base facilities will prove more difficult than ever.

There are, of course, weak points in the Portuguese armor. Per capita income is still the lowest in Europe. Portuguese Guinea remains a festering sore. Opposition elements led by Humberto Delgado have formed an alliance with Communists and have established themselves in Algeria, which raises the possibility of an increased subversive threat to the regime. Nevertheless, short of a major colonial disaster, which might move the conservative elements in Portugal to remove Salazar, there is little prospect for a change in Portuguese policies. Even then, any likely successor regime, though it might follow a more progressive course at home and a more flexible policy in Africa, would be as determined as Salazar to retain Angola and Mozambique.

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1. Last month Portugal observed both the 75th birthday of Antonio de Oliveira Salazar and his 36th year as his country's strongman. Although he has indicated that he would like to step aside if it were not for the African crisis, there is every reason to believe that, barring divine intervention, the good doctor will remain in office for at least one more round of celebrations.

2. Two years ago the outlook for Portugal seemed dim indeed. It was beset with many difficulties in the defense of its colonial empire -- including a deteriorating military situation in Portuguese Guinea, the genesis of a guerrilla war in Mozambique, and the possibility of an economic boycott spearheaded by increasingly aggressive African nations. The obvious displeasure of the US over Portuguese colonial policies, combined with the political isolation imposed on Portugal by most of Europe, raised further question as to the durability of the Salazar regime.

3. Since that time, however, the short-term outlook has improved measurably. The military situation in Angola has eased. A sharp rise in Angola's export earnings (especially from coffee)

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and increasing foreign investment\* in Portugal have brought Salazar's exchange reserves to record highs and have permitted him to more than double his defense expenditures since the Angolan insurrection began in 1961. At the same time, he has continued to fulfill his economic development plans without serious budgetary strain.

4. There are weak points, of course, in the Portuguese condition. The per capita income is still the lowest in Europe. Portuguese Guinea remains a festering sore, and the future of Portuguese Timor depends on the whims of Indonesian President Sukarno. But, on balance, Salazar's actions have been, at least for the moment, remarkably successful.

5. In these circumstances, the US is finding it increasingly difficult to convince Portugal that its African policies are misguided. The US has anxiously prodded Salazar to recognize publicly

\* Loans to Portugal from foreign sources over the last two years include:

US Export-Import Bank	\$55 million
IBRD	\$12.5 million
New York Banks	\$35 million
French Private Banks	\$23 million
West German Government	\$37.5 million

In addition, Ford and General Motors each has invested about \$3.5 million in automobile assembly plants, and a Swedish firm is willing to invest up to \$28 million in a wood pulp plant.

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the principle of self-determination for its territories, arguing that, short of such a gesture, the nationalist movements will become more violent, racist, and less disposed to allow Portugal to retain its presence and influence in the Overseas Provinces. The US has urged that moderate leaders on the African scene like Senghor and Houphouet Boigny could influence other Africans if only they had a declaration of good intentions from Salazar. We have also told the Portuguese that Chinese Communist interest in Africa, the uprisings in East Africa, and general African political instability, all underscore the necessity for Portugal to move faster in satisfying nationalist desires. We have repeatedly asserted that African pressure against Portugal in the UN can be diverted only by a clear statement of its approval of self-determination.

6. In his present mood, Premier Salazar has been singularly unmoved, and it is less likely than ever that any government he heads will ever publicly agree to genuine self-determination for the overseas territories. He believes that a pledge of self-determination, or a public acceptance of the principle, would be regarded by most Africans as a virtual concession of early independence. In response to repeated US requests for a statement on self-determination, however, Salazar has agreed that Portugal does

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believe in the principle, but defines it as a right only for those who are properly civilized -- and the decision as to who is civilized rests exclusively with Lisbon. Moreover, he questions how much influence Houphouet Boigny and Senghor have with the likes of Ben Bella, Babu, and Holden Roberto. Further, he wonders how the US logically can force self-determination on Africa but deny it to Kashmir, pursue one policy for Goa, another for Cyprus. As for the UN assembly, he considers that it has only one purpose with regard to Portugal -- to eliminate Portuguese sovereignty in the overseas territories.

7. On a more positive note, Salazar believes that recent events in Africa have demonstrated his contention that at this time an African "nation" is another name for chaos. He holds that the Portuguese provinces will soon become an enclave of stability amidst a black sea of communism -- and that the "correctness" of the Portuguese position will sooner or later be evident even to the US. Moreover, in contrast to the US position, Salazar is not convinced that the tide of African nationalism is irresistible. Indeed, he feels that the Portuguese concept of a multi-racial society is the only morally right and economically feasible solution of benefit both for the people of the particular areas and for the free world, and that time will prove him right.

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The Base Rights Question

8. US difficulties in coping with Salazar have long been complicated by our interest in retaining base rights in the Azores. More recently, a new factor has been introduced by the importance we now attach to the installation, not only in the Azores but on Madeira and the Portuguese mainland, of LORAN-C navigational equipment.\* Salazar believes that a trump card in dealing with the US is the value to the US of these facilities. As if to underline the nature of this "dependence," the Portuguese have thus far been unwilling to renew the 1951 base agreements which expired at the end of 1962. The US is now in the Azores on a de facto basis, subject only to a six-month notice of expulsion. The Portuguese are moving very slowly in responding to US requests for LORAN-C facilities and may use this as a point of pressure to persuade the US to ease off on the colonial issue.

9. In the last analysis, however, Salazar will probably not go beyond protests, warning, and foot-dragging on the question

\* LORAN-C is a precise long-range navigational aid used by ships and aircraft to establish their positions. For purely geographic reasons, establishment of a Portuguese chain of three LORAN-C stations (Azores, Madeira, the mainland), especially the Azores location, is particularly important to cover areas of the Atlantic which cannot be covered by stations in other locations.

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of base facilities. Holding only one trump card, the Premier will be most reluctant to play it. In certain circumstances, however, a Portuguese decision to ask the US to withdraw is conceivable -- e.g., outright US support of African nationalist attacks against Portuguese territory, or US participation in an embargo.

The NATO Question

10. Certain developments in bilateral relations with other NATO members have given Salazar new opportunities to demonstrate his independence of the US. He has recently ceded to France the rights to a missile tracking station in the Azores. While the Portuguese Government has officially denied the political significance of such an agreement, the state-controlled Portuguese press has been heavy-handed in stressing that France, in contrast to the US, has supported Portugal in the UN. In recent months, the West Germans have been granted the right to establish extensive military facilities in Portugal. Portugal has made substantial purchases of military equipment from West Germany and has sought other official and commercial ties with Bonn. Unlike the US, the West Germans appear to have placed no restrictions on the use of the weapons or aircraft Portugal may receive as part of the military facilities deal.

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11. On a related front, the Portuguese seem to have gone out of their way to indicate their unhappiness with NATO. Heretofore, Portugal had clung to its NATO role, in part because this relationship gave Salazar's isolated regime a certain hallmark of respectability and acceptance in Europe. Consequently, the US was able to bring, or threaten to bring, pressure on Portugal through NATO councils. Recently, however, the Portuguese have begun to downgrade the importance of NATO. Salazar has indicated a need to consider a basic reorganization of NATO and a reorientation of its objectives. What Portugal apparently wants is an extension of NATO cooperation and support to areas outside of Europe (that is, to Africa). We believe Salazar may upon occasion follow the French lead in steps distasteful to the US. One gesture in this direction could be early Portuguese recognition of Red China. We do not believe that they will seek actively to disrupt NATO.

Policies of any Successor Regime

12. A successor regime to Salazar might follow more flexible policies in the overseas territories or be more responsive within NATO, but the current state of the opposition in Portugal does not suggest that this is likely. The Portuguese population

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remains basically apathetic and organized opposition to Salazar is fragmented, inept, and unimpressive.

13. The only significant new development within the Portuguese opposition is the effort of Humberto Delgado to form an alliance with the Portuguese Communists. These various groups have found refuge in Algeria, which the government believes will be used as a base of operations against metropolitan Portugal.

14. Delgado's move further weakens the democratic opposition to Salazar and increases the threat from the extreme left. It is possible that this could lead rightist elements to undertake a coup attempt. These men, who are or have been key figures in the regime, agree with Salazar's policy objective of maintaining the Overseas Provinces as part of Portugal, but fear his inflexibility as to means may defeat these ends. Some, like General Santos-Costa, are at least as authoritarian as Salazar. Those among them called "liberals" -- Generals Botelho Moniz and Craveiro Lopes, ex-Overseas Minister Adriano Moreira and former Rector of Lisbon University Marcelo Caetano -- are not friends of the political democracy as that term is understood in most of the West. They advocate, rather, economic, social, and administrative reforms which they hope could reconcile Africans in the Overseas Provinces to continued membership in the Portuguese nation.

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15. The dissatisfaction of these men with Salazar's inflexibility, combined with considerable personal ambition, has at times led to various combinations among them in efforts to overthrow Salazar. The effectiveness of the security apparatus, rivalry among the various contenders for power, and a general lack of political courage, have voided these efforts.

16. The one development which might embolden these men to decisive action could be a military disaster in one of the Overseas Provinces, or fear of a leftist coup in Portugal. The Botelho Moniz-Craveiro Lopes factions are believed to have some support in the military. They are seeking support from Portuguese business leaders, who are concerned about higher taxes in the metropole to finance colonial wars, and worried that Salazar's overseas policies ultimately will lead to their being forced out of Africa altogether.

The Future

17. The foregoing is not intended to suggest that Salazar is in process of winning his battle against the forces of change. Ineffective as Africa's "freedom fighters" may be today, the long-range prognosis for Portugal's African territories remains questionable. But the present indications are that Dr. Salazar will

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have a good deal more time to play out his hand than most observers were willing to give him a year or two ago.

FOR THE BOARD OF NATIONAL ESTIMATES:

*Sherman Kent*

SHERMAN KENT  
Chairman

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