

SPAIN

INTEREST OF THE UNITED STATES IN EFFORTS TOWARD LIBERALIZATION OF THE SPANISH GOVERNMENT¹

852.00/1-548

The Chief of the Division of Western European Affairs (Achilles) to the Chargé in Spain (Culbertson)

TOP SECRET

WASHINGTON, January 5, 1948.

DEAR PAUL: I will try in this letter to amplify and clarify our 903 of December 18² and to give you our general thinking on the subject of policy toward Spain:

1. We want to bring about gradual normalization of relations between Spain and the United States and, incidentally, between Spain and the other western countries.

2. While popular opinion in this country and Western Europe with respect to Spain has cooled off to a very considerable extent, complete normalization would be difficult, if not impossible, without some democratization in Spain.

3. We emphatically would not want to see the Spanish state weakened to a point at which civil disorders might ensue.

4. Changes in the form or composition of the Spanish Government are the business of Spaniards alone; we would make no suggestions more specific than the general position which this letter attempts to outline.

5. International pressure to "kick-Franco-out-now" has failed and has served only: (1) to strengthen his resistance to any liberalization under foreign pressure; (2) to increase support for him in Spain among those who would like a more democratic government but object to foreign pressure or fear renewed disorders; and (3) to give the communists everywhere one more chance to cause trouble and embarrassment.

6. The "kick-Franco-out-now" policy is over as far as we are concerned, although we are unlikely to make this public unless and until

¹ For previous documentation on the attitude of the United States and other governments toward the regime of General Francisco Franco y Bahamonde, Chief of the Spanish State, see *Foreign Relations*, 1946, vol. v, pp. 1023 ff., and *ibid.*, 1947, vol. III, pp. 1053 ff.

² *Ibid.*, p. 1096.

there is some evidence that Franco is willing to start on his own an evolutionary process toward democracy.

7. We had reasonable success in trying to hold down the United Nations pressure at the 1947 Assembly.³ This should be, and apparently is, evidence to Spaniards of a change in our basic attitude. However, the provisions of the 1946 resolution on isolation from agencies connected with the United Nations and the recall of Chiefs of Mission still hold and we are not at this time considering any action contrary to that. This aspect of our policy seems less well understood in Spain. We naturally attach importance to the observance of United Nations recommendations as a matter of principle. In addition, we expect that before the 1948 Assembly the USSR and its satellites will have flagrantly violated several UN recommendations and we certainly do not want condemnation of them to be complicated by charges of similar disregard against us or other democratic governments. From the Spanish angle it is going to be very difficult to obtain a two-thirds majority to get the 1946 recommendations off the UN books unless there have been substantial changes in Spain which could justify such action. This should be another good talking point for you.

8. We do not want to see the economic situation in Spain deteriorate further. Before you receive this the "E List" ⁴ will have been terminated and Spain will be on the same footing as all other European countries with respect to export licenses. We will be writing you further about this shortly. Fairly substantial private credits could be obtained by Spanish importers if gold coverage were possible (one private \$25,000,000 cotton deal is currently hung up on the question of a 40% gold coverage and similar loans might well follow). Satisfactory conclusion of the current gold negotiations would make this possible.⁵ This should be a powerful argument in the negotiations.

9. We are not at this time prepared to extend governmental credit (Export-Import Bank), but would be glad to consider it as and when the regime gives concrete signs that it has the intention of moving toward greater democratic and economic efficiency and that it has begun to do so. Inclusion of Spain in the European Recovery Program would be a question for the sixteen countries concerned. They would be most unlikely, judging from their attitude at the UN Assembly, to agree on inclusion of Spain in the absence of substantial political and economic changes within Spain. Should such changes be made and the Sixteen wish to include Spain, we should presumably accord similar weight to the changes made and agree to Spanish participation.

³ See *Foreign Relations*, 1947, vol. III, pp. 1087-1095.

⁴ An export control list terminated by June 1, 1948, of countries for which no export licenses would be granted.

⁵ These negotiations involved restitution to the Netherlands of 101.6 kilograms of monetary gold taken by Germany and subsequently acquired by Spain. Documentation on the negotiations is in Department of State file 800.515. See footnote 2, page 995.

10. From the foregoing, it should be obvious that we are thinking in terms of persuading Franco to inaugurate gradual and orderly liberalization rather than trying to force him out.

11. Persuading him to adopt such a course will naturally be difficult. You should certainly talk to him shortly, preferably at his instigation if that can be arranged. We expect to telegraph you specifically to do so upon receipt of the Vatican's reaction. If in the meantime Franco should ask to see you, you should see him. Whenever you see him, our thought would be for you to talk to him along the lines of our 903 as amplified by this letter.

12. He may well say: "That is fine. You are coming my way and will have to keep coming, whether I do anything or not. Therefore I am going to sit tight." Your answer would be: "O.K., so are we. We would like to give you positive help, but we cannot do it unless you first show convincing signs of intention to work toward a regime which would in democratic eyes be respectable." If he takes the opposite line and says: "That is exactly what I am doing, but Spain and I are misunderstood abroad and nobody believes me", your line should be that in democratic eyes his record causes considerable suspicion and that if he has democratic intentions it is up to him to demonstrate them convincingly. If he asks what we want him to do, you will say that that is his business, that no foreigner is in a position to determine what is best for Spain and that it would be highly presumptuous for us to try. We realize the stormy nature of Spanish history and the Spanish character, the political instability of Spain, the passions remaining from the Civil War, etc., and assume that the nature of the political evolution would, of course, be Spanish, take account of these factors and insure continuing stability. What we need before we give him any sympathy or material assistance is convincing evidence of his intention to undertake orderly democratization. If such evidence were produced in some fairly dramatic form it would facilitate normalization of relations not only with us but with all other western countries.

13. Assuming that you get anything short of a complete rebuff from Franco (which would make us look again at our whole policy), I think you should take substantially the same line with all other elements in Spain—Army, Church, Monarchists and the moderate left. The extreme left is seeking disorder and communism rather than democracy in Spain and we do not care what they think. Other leftist elements may well react unfavorably, possibly bitterly, but we believe with complete sincerity that there is no chance whatever of achieving a really democratic regime in Spain through the former policy of attempting international coercion and that there is a reasonable possibility of bringing it about through the new one.

14. We think Vatican cooperation along these lines would be more effective than that of either Great Britain or France. However, we

expect to discuss it with the British shortly after hearing from the Vatican and with the French in due course. We will let you know when we tell either.

15. Making this policy succeed depends in a substantial measure on you. It will certainly not be easy, but it gives you an opportunity to do a bigger job than most FSOs or Chiefs of Mission ever get. Good luck!

Don't hesitate to give us your ideas either officially or direct to me personally. We are sending a copy of this of Jeff Parsons.⁶

With best regards.

Sincerely yours,

THEODORE C. ACHILLES⁷

⁶ James G. Parsons, Foreign Service Officer at Vatican City.

⁷ This letter was concurred in by Outerbridge Horsey, Assistant Chief, WE; John D. Hickerson, Director, EUR; Samuel Reber, Deputy Director, EUR; Norman Armour, Assistant Secretary of State for Political Affairs; and Jacques J. Reinstein, Special Assistant, E.

711.52/2-648

The Chargé in Spain (Culbertson) to the Secretary of State

TOP SECRET

MADRID, February 6, 1948.

No. 77

SIR: I have the honor to refer to Departmental telegram No. 903 of December 18, 1947 and to report that on Monday, February 2, I discussed with the Minister for Foreign Affairs, Señor Alberto Martin Artajo, the position and policy of the United States as outlined in the reference telegram. I enclose with this despatch a copy of the memorandum I made following the conversation with the Foreign Minister and a copy of the paper I had prepared for my own guidance in the presentation of this matter to Señor Artajo. I, of course, left no papers with him.

Respectfully yours,

PAUL T. CULBERTSON

[Enclosure]

Memorandum of Conversation, by the Chargé in Spain (Culbertson)

[MADRID,] February 2, 1948.

Participants: Alberto Martin Artajo, Minister for Foreign Affairs
 José Sebastián de Erice, Director General of Foreign
 Policy
 Paul T. Culbertson

By appointment I called on the Foreign Minister at 8 p. m., February 2. Señor Erice interpreted.

I had prepared for my own guidance a statement of what I wanted to say and how I wanted to say it. It is attached. While I did not read from it, I followed the text and wording quite closely. There was considerable side discussion of the various points covered. The meeting lasted for two hours. I left the Foreign Office feeling I had accomplished absolutely nothing. I prefer to wait a few days to see whether this presentation of our policy produces a comeback from the Foreign Minister.

The discussion developed somewhat as follows:

In response to my opening remarks about the press, Artajo called my attention to the fact that the press had, after the U.N. vote, soon dropped its original comment. I agreed that that was true. (When this sort of stuff first appeared in the local press, I saw Erice and told him it was the most stupid approach to American psychology possible.) With regard to the *Hispanicus* article (see Embassy's despatch No. 55 of January 27)¹ Artajo was surprised that I should find objection, saying the article was designed to bring the Marshall Plan prospects for Spain back into focus since the Spanish press had developed an over-optimistic line. I told him it was a question of the tone and attitude—a thing which both Erice and Artajo did not seem to be able to understand.

After covering the point that we cannot be expected to make all the moves "to erase the reasons for the differences which have made and still make normalization slow and difficult" (#3 of notes), I was rather startled to find blank expressions on both Erice's and Artajo's faces. I said "You understand what I mean?", to which I received denials. I told them I had no desire to be specific; that they must realize that Spain as a police state, where there was great political repression and where practically everything was considered a crime against the State and, therefore, subject to trial by military tribunal—these were things which were incomprehensible to American public opinion. I cited a couple of recent trials, one being the trial of seventeen Socialists, the only charge against them being that they tried to organize, and peacefully, a political party and yet the top people had been sentenced to 25 years imprisonment. Artajo came back by saying they would be released in a year or so. I could not avoid the rejoinder that if that be the case, why the 25-year sentence!

On the point (#3) with regard to our revised attitude toward the Regime itself, Artajo merely nodded his head.

With regard to private credits (#4), I expounded the question of commercial risk with a slight prod at INI and Government interference in private enterprise. Artajo was of the opinion that the situa-

¹ Not printed.

tion could be worked out but, of course, the Government was obliged to establish and maintain certain controls and would have to approve obligations assumed by its citizens or industries.

When I got on to the question of governmental credits (#5) there was obvious disappointment and again blank expressions so far as understanding what I meant by giving "concrete signs of its intention of moving toward greater economic efficiency and democratic liberalization". So I again explained my reluctance to give specific examples, but I again went over the political repression, the military courts, and so forth. Artajo came back at considerable length by saying that if the Regime were to liberalize in a manner such as I apparently had in mind revolution and civil strife would break out here and the credits received by reason of their liberalizing action would have to be used to restore order. He stated we would have the same situation here that we have in Greece. I joined that by saying that I failed to find any basis for comparison and, furthermore, that so far as I could see there was a tendency on the part of the Regime to consider everyone, with the possible exception of Monarchists, who disagreed with the Regime to be a Communist. Artajo's remark about revolution could be taken to mean that the Regime considers itself not too strong and cannot, therefore, run any risks of releasing its iron grip.

I had previously explained to Erice and Artajo the situation with regard to the E.R.P.² so that in going over it again I was giving them nothing new. They do feel they have been unjustly excluded and that Spain is an important cog in the European economic organization. I gathered from what was said that they blame Britain and France for being excluded. They cited the fact that since the first meeting of the CEEC Spain has concluded commercial agreements with Sweden, Ireland, Turkey, Holland and Switzerland—all CEEC members.

They were again disappointed over what I had to say with regard to the level of diplomatic representation (#7) but showed a tendency to understand our position even though they do not agree with it. In fact, they have since sent me a long treatise³ on the meaning of the 1947 U.N. action. Artajo complained that we were influencing South American countries not to raise the rank of their representations here. I replied by saying that that was not true except in so far as those countries might have been influenced by our own position.

As I was leaving, Erice told me they would send me a list of the liberalizing and modifying steps the Government had taken in recent years. I said that I was more interested in a statement of what was going to be done in the future and when.

² For documentation on the European Recovery Program, see pp. 352 ff.

³ Not found in Department of State files.

[Enclosure 2]

Notes by the Chargé in Spain (Culbertson)

[MADRID, February 2 (?), 1948.]

I have recently received instructions from my Government to discuss with you and with General Franco the American position and policy toward Spain and the Government of Spain—what we would like to do and what we can do.

1) Last December after the vote in the U.N.—a vote largely due to the work of the American U.N. delegation—the Spanish press, particularly *Arriba*, came out with statements to the effect that now that the other countries of the world have seen the errors of their way, why don't they do so and so? The other day *Arriba* printed an editorial by *Hispanicus* with regard to Spain and Communism, Spain and the Marshall Plan. You have no doubt read it. The article is all the more important, if rumor is correct that *Hispanicus* is in fact the Chief of State or someone very close to him. If the press following the U.N. action and this recent editorial represent the position and policy of the Spanish Government, I must frankly say that normalization of relations between Spain and the western countries and the restoration of Spain to her rightful position of importance among them as a community of nations will not be easy. It must be an effort based on mutual cooperation and understanding.

2) My Government is desirous of bringing about a complete normalization of the political and economic relations between our two countries, and it will be our purpose and intention to use our influence and good offices in bringing about the same degree of normalization between Spain and the other western countries. That can not however be accomplished from one day to the next and particularly if we are expected to make all the moves to erase the reasons for the differences which have made and still make normalization slow and difficult. I have come to realize since I came to Spain that many people here find it difficult to understand our reasons for these differences. Nevertheless they must be understood, and it must be realized that the march of world events and present American attitude toward Moscow do not wash the slate clean of the reasons for past and present differences.

3) Past American policy toward Spain has looked to a complete change of regime here. That is now changed. The form or composition of the Spanish Government is for the determination of the Spanish people. We do feel however that the Spanish people should have some better opportunity to express themselves. We are not trying to reverse the results of the Civil War nor do we wish to see the Spanish State

weakened to a point where civil disorder might develop or political strife arise.

4) We do not wish to have the economic situation in Spain deteriorate further. An economically strong Spain is in the general interest of everyone and every western country. The export discrimination against Spain has recently been withdrawn and Spain has been placed in the same position with regard to American export controls as all other western European countries. We have in the past objected to the extension to Spain of substantial private credits particularly those which go beyond the scope of normal short term commercial credits. As soon as we have reached a final understanding between the two countries on the question of gold, very substantial private credits can and will be extended to Spanish industry and we shall raise no objection to such private credits, leaving however the question of commercial risks entirely to the American banks and industries involved.

5) We are not at this time prepared to extend governmental credits to Spain but such credits are possible and we are prepared to give sympathetic consideration to such credits if the Spanish Government gives concrete signs of its intention of moving toward greater economic efficiency and democratic liberalization and takes open action which would make feasible and practicable in the light of American public opinion such a step on our part.

6) Such action on the part of the Spanish Government would be a step of the greatest importance with regard to Spain's inclusion in the Marshall Plan. The question of Spain's inclusion in this Plan is initially up to the countries of western Europe. The legislation now before the American Congress provides for the extension of credits and aid to those countries of Western Europe who by cooperative effort and organization are endeavoring to bring about economic and peaceful stabilization in Europe. The adjustment of the Spanish-French border problem is also a first step to a normalization of economic relations in Europe, and I am glad you have been able to find a mutually acceptable understanding and at the same time I appreciate your readiness to understand France's political difficulties in arriving at an understanding. Recriminations either way or an attitude of correcting a wrong would be of advantage to no one. If arrangement between Spain and the 16 other countries can be brought about, the further steps required as far as the United States is concerned can be adjusted.

7) One further point—that of the level of the diplomatic representation between our two countries. Our delegation at Lake Success had fair success in holding down United Nations pressure on the question of Spain. What we were able to do however was only to avoid a reiteration of the 1946 resolution. That resolution was not cancelled by the

1947 action. Our basic international policies are based on the concept of a world society of nations—the U.N. We have made every effort to make a real United Nations and to that end we have accepted compromise and retreat. We attach great importance to the observance of U.N. recommendations and the principle of majority action. For the United States to change her diplomatic representation to Spain at this time would give excuse to the U.S.S.R. to violate U.N. recommendations. They are likely to do it any way, but they will not be able to cast stones at us. To cancel standing resolutions of the U.N. a two-thirds majority is required. You, of course, feel that the attitude of many countries toward the Spanish regime is without justification. Nevertheless, to get them to change, Spain could well take action looking to political and economic liberalization.

8) We are not in a position nor would it be proper for us to suggest the nature of the action to be taken. Certainly I am not here for the purpose of criticizing. I can however in a friendly, frank way point out those practices and policies of the Spanish Government which my Government and the American people find difficult to understand and which tend to keep alive differences between our two countries.

9) I have one personal observation to make. From my observations since my arrival in Spain and from my conversations with you, I have a feeling that the Regime's long range plans and programs for Spain and the Spanish people have as their end result liberalization and democratization very little different from the ideas and concepts which the American people have. If that be true, it is my feeling that our basic differences of opinion involve the question of time for initiating in more definitive form those plans and programs. If they could be initiated now they would receive the approbation and support of the American people as well as of the peoples of other western countries. Such action would make it possible for the world to understand and appreciate Spain and bring her into her rightful high position in the community of nations.

840.50 Recovery/2-1648

Memorandum of Conversation, by the Assistant Chief of the Division of Western European Affairs (Horsey)

SECRET

[WASHINGTON,] February 16, 1948.

Participants: J. N. Henderson, Second Secretary of British Embassy
Outerbridge Horsey, WE

Mr. Henderson said that the Foreign Office had asked the Embassy to inquire from the Department, if possible from the Secretary him-

self, as to the truth of a report allegedly issued by the USIS in London to the effect that the Secretary had said there was no impediment to Spain joining the ERP. In order to correct this erroneous report of the Secretary's comment, I gave Mr. Henderson the exact language contained in the Memorandum of the Secretary's press conference on February 11.¹ This showed that the London report had left out two essential features of the Secretary's comment, that there was no objection from the US point of view and that this applied only if the 16 countries themselves wished Spain to be included. Mr. Henderson thought that this would correct the dismay created by the first report in London since the Foreign Office felt that the inclusion of Spain would be a departure from the previously announced policy, agreed on with the US, and would remove once and for all all hope of getting rid of Franco.

Elaborating on our position as indicated by the Secretary's comment of February 11, I said that all our statements and thinking were based on the avoidance of influencing in any degree the decision originally reached by the CEEC countries on the exclusion of Spain. We did not want to give the impression of trying to get them to have Spain included and, on the contrary, we were not laying down arbitrary rules as to the permanent exclusion of *any* country. I mentioned that Spain's interpretation of our position had been over optimistic and that we had sought to correct that optimism both in Madrid and here.

As to change in the regime, we heartily shared the British feeling that the continued exclusion of Spain would serve as an inducement to General Franco to bring about substantial political and economic changes in order to qualify for inclusion.

Mr. Henderson thought that this general explanation was entirely satisfactory and said that he would telegraph it to London. He mentioned that the Foreign Office was most anxious to keep in line with us on Spanish policy and hoped that before making any accommodation with General Franco we would at least consult the British.

¹ Not printed.

711.52/3-948: Telegram

The Chargé in Spain (Culbertson) to the Secretary of State

SECRET

MADRID, March 9, 1948—5 p. m.

167. Foreign Minister called me in last night to make Government's reply to my February 2 statements referring to their tenor as indicating my Government's "good will and desire to strengthen relations with Spanish nation allowing them become wholly normal". He said he had discussed February 2 talk and Spanish reply with Franco and

Cabinet. This evident since line reported below reminiscent of Franco and other official statements last few months.

Principal points expounded by Artajo are :

Spaniards appreciate US attitude in UNGA last November but not satisfied that Spain's good name has been vindicated and wish US take lead in righting injustice especially in view Trygve Lie's¹ interpretation of 1947 resolution showing "manifest hostility".

Spanish Government appreciates "full value of notice concerning favorable attitude of US re future granting of credits" and hopes this will soon lead to results, first on private and later official basis. Marshall Plan of less interest to Spain than individual deal with US. (Note: this statement consistent with others recently made by Foreign Office officials.)

Spanish economy basically liberal, but like other countries has been forced by well-known circumstances into temporary state control. Artajo implied INI merely intervenes in businesses which need its economic help, plain misrepresentation of fact.

To understand Spanish situation American public should contemplate troubled history for past century, its experience with Communists 1934 to 1939 and future troubled world aspect. Should also contemplate inappropriateness of trying to judge internal affairs other country. Regime has demonstrated flexibility and desire to better self since 1939 and is developing "bold task of social tutelage and protection" which is basis of its stability and advantageous to both Spain and cause of world peace.

Spanish Government sincerely desires collaboration with and rapprochement to US but feels relationship should not be disturbed through mingling countries' common interests and ability to serve world, with differences of ideology or political thinking which are exclusive to each people.

Above quotes based on English copy of Artajo's statements² handed me during interview.

Foreign Minister said nothing new or encouraging to hope for evolution and I limited my comments to denying at one point that US wishes Franco to legalize Communist Party, which Artajo implied was case.

CULBERTSON

¹ On December 3, 1947, Mr. Lie, Secretary-General of the United Nations, wrote to the President of the Security Council that he was confident the Security Council would discuss the Spanish Question as soon as it required attention. (United Nations, *Official Records of the Security Council*, 1947, vol. 2, p. 1080.) The Spanish Government apparently took this to mean that the Secretary-General interpreted the 1947 resolution of the General Assembly on Spain as having no effect on the power of the 1946 resolution.

² Not printed.

711.52/3-948 : Telegram

The Secretary of State to the Embassy in Spain

SECRET

WASHINGTON, March 23, 1948—6 p. m.

171. Believe you should take opportunity to express casually to FonMin and others disappointment at entirely negative reaction reported Embtel 167 March 9. Say that Spain attitude is definitely not conducive to any change in (a) present US policy of refusing Govt credits; (b) disinclination of European countries to include Spain in their cooperative arrangements and (c) basic UN position on Spain and especially US initiative toward that end. Repeat that we have no thought of hasty political changes of nature which would endanger maintenance of public order and that nature and timing of such changes is up to them. You should make plain however that demonstration of intention to make substantial political and economic reforms would vastly aid improvement of relations with this country and integration of Spain in Western European arrangements which is manifestly in best interest of Spanish people.

Belgian Amb has asked us to support protests Belgian and UK reps Madrid have made to FonOff at arbitrary judicial action against Barcelona Traction Co. While US ownership this company understood to be small you could ask FonMin whether this is kind of treatment which foreign investments may expect and suggest that it is contrary to Spain's interest at a time when they are seeking financial assistance abroad. You could add that while we would be reluctant to have to bring this case to attention of American interests considering extending credits to Spain we would be derelict in our responsibilities to them if we did not do so.

MARSHALL

852.00/3-2448 : Telegram

The Chargé in Spain (Culbertson) to the Secretary of State

SECRET

MADRID, March 24, 1948—5 p. m.

202. Franco has for years preached perils of communism and has effectively used every propaganda effort instill in Spanish people fear repetition Communist terror during Spanish Civil War. Recent March events Europe emphasizes in minds Spanish people correctness his position and has resulted increased strength and wider support regime, including position on part many including people basically opposed Franco that present is no time experiment with measures designed produce political liberalization. Am convinced no substantial liberalization will be forthcoming so long as Communist threat exists and in

event Italy votes Communist, strings will probably be tightened particularly on any political activity that has tinge communism or armed disturbance.

Franco and Spanish authorities seem convinced Spain strategically so important we will of necessity, in our own interest, not only accept regime as is but will extend economic and military aid. This conviction becomes more pronounced as, in their view, tension between US and Russia increases, citing President Truman's joint session and your recent declarations.¹

They very much want cooperate with us in every way so long of course as we leave them run their own political house. They resent exclusion from UN organizations to which they would like belong. They resent refusal send Ambassadors as chief missions and hope our decision will be reversed. But they are not now going modify politically in order obtain these ends. While they have indicated they would prefer direct US aid, in absence thereof I am sure they hope for inclusion ERP, which of course makes sense economically for Europe.

While because of Communist menace Franco probably has greater support politically opposition present economic policies very widespread, including even Cortes and Cabinet members, and increasing. As condition precedent to any US direct aid or through ERP I feel relatively sure economic modification and liberalization can be obtained and may in fact develop by itself because of such widespread opposition.

Foreign Minister and Spanish Govt generally consider US has whip hand question Spain's inclusion ERP. If Spain not included ERP Spanish will probably place principal blame on US and secondarily British, charging British selfish refusal share aid, which may not be too far from truth. Effect refusal include Spain on Franco position difficult analyze. It could weaken him and again he might whip up national sentiment which would serve strengthen him. It would depend largely on how serious army, church and other principal supporters regime consider economic situation to be. Inclusion would of course put these elements more strongly behind Franco but might well throw left-center and left farther left on ground our cooperation with Franco will cause them abandon hope Franco's overthrow. Some consider this group might form strong fifth column event of war. However, there is no way of giving real evaluation this possibility.

¹ For the text of the President's Special Message on the Threat to the Freedom of Europe, delivered in person to a joint session of the Congress, March 17, see *Public Papers of the Presidents of the United States: Harry S. Truman, 1948*, (Washington, Government Printing Office, 1964), pp. 182 ff. For the texts of statements by Secretary of State Marshall, see Department of State *Bulletin*, vol. xviii, 1948, index items under "Marshall, George C."

Foregoing prepared prior receipt this a. m. Deptel 171, March 23. I have already on several occasions orally and informally with Foreign Office officials covered points included paragraph one Deptel and have made clear dissatisfaction my part Spanish Govt's response February 2 talk. Will take early occasion so tell Foreign Minister.

CULBERTSON

711.52/3-2648

Memorandum of Telephone Conversation, by the Assistant Secretary of State for Political Affairs (Armour)

SECRET

[WASHINGTON.] March 26, 1948.

Participants: Mr. James Forrestal, Secretary of National Defense
Norman Armour—G

Mr. Forrestal telephoned me and asked if there were any prospects of a change in our policy toward Spain. I said that although things were moving along, there was nothing at present. I said it looked a little more encouraging with respect to ERP; that our Chargé d'Affaires in Madrid has had one or two talks with General Franco and we were hoping there might be a change for the better in the internal lineup there. I said that the principal obstacle was the Minister of Commerce¹ who is holding things up a great deal in the economic field.

Mr. Forrestal asked if this Government's position would prevent U.S. commercial banks from making loans. I said that private loans could be made and that we would be glad to see them made. I said that the International Bank is a UN organization and that the Ex-Im Bank had not done anything so far. I said that if the Safe Haven negotiations are put through, Spanish assets over here would be released and that would give them about \$50,000,000, and that they could then use the gold as collateral. Mr. Forrestal asked when I thought the agreement would be signed. I said that it was supposed to be signed within two or three weeks. I said that we all realized the importance of getting the agreement going. Mr. Forrestal said with them it was almost a matter of urgency. I said that if he had any suggestions as to timing he wished to send to us, we would be very glad to have them. Mr. Forrestal said he might send someone over to give us the background of the reason for this conversation. He asked if Mr. Lovett³ had returned. I said that he had. He said that he would keep in touch with Mr. Lovett.

NORMAN ARMOUR

¹ Juan Antonio Suances Fernández.

³ Robert A. Lovett, Under Secretary of State.

852.00/3-2948

*The Chargé in Spain (Culbertson) to the Secretary of State*SECRET
No. 182

MADRID, March 29, 1948.

I have the honor to refer to recent instructions with regard to United States policy toward Spain and, for what they are worth, to submit a few comments.

It is my understanding that in general American military authorities consider continental Spanish territory to be of major importance to strategic military operations in the Mediterranean and to the keeping of operational lines open to the Middle and Near East. Certainly our military authorities have not at all times seen eye to eye with the State Department with regard to American policy toward Franco Spain, and this has been true presumably because of the value of Spain in the event of hostilities with forces in the east of Europe. Problems of political ideology and American public resentment against Franco were and are of less importance to military thinking than to diplomatic thinking, but military considerations in time of crisis may well override ideological objections and change purely political policy. It certainly looks to me as though we are in or very near a time of crisis, and I am wondering whether circumstances may not soon cause diplomatic thinking to be less concerned with ideologies of the Franco brand and we will undertake to accelerate normalization of relations between the two countries to a point where our present policy may be sort of obsolete. If we are interested in Spain for purely military reasons and we can foresee the need to use Spain and Spanish territory, it should be borne in mind that Spanish transport and her military establishments are presently so antiquated that considerable time would be required to build them up to a point of real value and usefulness.

Our present policy is designed to encourage the Spanish regime to liberalize its structure and practices to a point where we and other nations can in the light of public opinion justify acceptance of Spain into the community of nations. The Regime has no way of knowing, and we have no way of telling it, at what point of liberalization it would become acceptable in the eyes of the western nations. What may be acceptable to the United States might well fall short of what a British Labor Government would accept—and so long as Russia sits on the Security Council, what chance has Spain to become a member of the United Nations or to have membership in United Nations organizations? At the very best Spain, under our present interpretation of the 1946 General Assembly resolution, can not hope for inclu-

sion in United Nations organizations prior to sometime in 1949. The immediate incentive to Spain to adjust her policies is, therefore, not very great.

Of course, one would think that people with normal reactions would welcome a friendly hand by demonstrating through action a desire to be accepted into the community of nations—the western nations that is. Spanish reactions are not however exactly what I would call normal. Likewise, Spanish psychology is different—a psychology influenced by individualism and an inferiority complex which evidences itself in an effort to relive the greatness that was once Spain's. Add to this their conviction that Spanish territory is strategically indispensable and that the western powers, principally the United States, will require Spain in their self-defense interest and you get a stubborn, self-righteous, injured attitude that it is up to the world to change, not Spain. Furthermore, with the iron curtain daily moving further upstage, the Regime becomes increasingly convinced of the correctness of its policies.

For ten years Spain has been kicked around internationally and kicked with vigor, although less vigorously in recent months. She has been ostracized and excluded from international cooperative effort. Small wonder, therefore, that she has a head-in-the-sand reaction to participation in the Western European Union¹ or even to responsibilities concurrent with participation, if she were invited, in ERP.

Such information as filters through the Pyrenees from Paris on current Portuguese efforts to get Spain included in ERP would indicate British opposition plus general lukewarmness on the part of most of the other nations will keep the motion on the table with the resulting effect that Spain will not be invited to participate. I had hoped Spain might be incorporated into the Program on purely economic grounds. Not because Spain would be a major positive contributor to European recovery but because assistance would prop up a wobbly economy and make it possible for Spain to become more self-sufficient, a less drain on world supplies as well as to be in a position to export some commodities of some value to Europe. A busted economy in Spain certainly is not going to make European economic recovery easier and certainly is not going to be a help to political stability. The Western European Union treaty provides among other things for economic cooperation, coordination of production and development of commercial exchanges. Exclusion from that kind of cooperation under ERP where there are benefits is not likely to induce Spain to tie herself into a treaty such as that of the Western European Union, where no such benefits exist

¹For documentation on United States interest in the question of Western European Union, see pp. 1 ff.

and where the military side of which rests in part on a provision of the Charter of the United Nations, membership in which is barred to Spain for a long time to come even though she were to mend her political ways at once.

Normal diplomatic relations, i.e., rank of Chiefs of Mission, is a matter for the distant future for Spain. We are tied down to the 1946 U.N. resolution and will not go contrary to U.N. recommendations, in part because such action would give Soviet Russia an excuse to violate other U.N. recommendations of greater significance.

We must bear in mind that Franco, his Regime and a lot of Spaniards consider that Spain has not done and is not now doing anything wrong in the eyes of the Lord or humanity in general and, furthermore, Spain alone has carried the torch and fight against Communism and that right now is no time to tamper with any forces or individuals whose political purpose is the overthrow of the Regime.

Against that, in their estimation, we are holding out a fairly empty hand of friendship, calling for immediate action in return for which they may a year or so hence receive help and be restored to participation in world affairs. Again I say the incentive to change now is not very great, and frankly I think progress in obtaining change is going to be extremely slow.

On the other hand, the march of world events is not slow and military considerations could, the way things look from here, overtake objections to ideologies of the Franco brand, and as a result we would be confronted with the problem of further modification of policy toward Spain. If there be likelihood of this situation arising, I recommend that further moves be made now.

Basically our objections to the methods of the Franco regime will be no less in the future than they are now. Public sentiment against the Franco regime is most certainly less pronounced now than, say, a few months ago. Bevin² and other British officials are the only official people who have recently kept the Franco issue in public view. Perhaps the British have gotten themselves in such a box with British public opinion that they have no alternative but to oppose Spain's inclusion in the ERP. Nevertheless, your statements and those of the Congress have laid the foundation for Spain's inclusion in ERP on purely economic grounds. A majority vote by the ERP countries to include Spain would give Bevin an out because he certainly has no veto power and could so explain in Parliament. If it is not too late I would like to see us informally and orally indicate to the ERP countries that we think that Spain should be included in the Program on economic grounds. It is the only way I can see which affords a partial bypass of the politi-

² Ernest Bevin, British Secretary of State for Foreign Affairs.

cal question. That would not mean we abandon our efforts to obtain political improvement in Spain. In fact, economic stability and liberalization may well bring with it political stability and liberalization. At no time should we let up on pressure to liberalize politically, and so far as the Embassy is concerned we shall continue to crack the question at every opportunity. The problem is whether liberalization shall be a condition precedent to any further move.

Respectfully yours,

PAUL T. CULBERTSON

852.7962/3-2948

Memorandum of Conversation, by the Assistant Chief of the Division of Western European Affairs (Horsey)

TOP SECRET

[WASHINGTON,] March 29, 1948.

Participants: Major General Samuel E. Anderson, USAF
Colonel Joseph A. Miller, US Air Attaché, Madrid
John D. Hickerson, Director, EUR
Outerbridge Horsey, WE

General Anderson said that Colonel Miller had been called back on consultation as a result of a discussion at the Joint Chiefs meeting at Key West, as to the necessity of having three airfields in Spain constructed and equipped to handle the heaviest US bombers. Mr. Hickerson asked whether the Air Force had in mind that, at the same time that facilities were made available to do this work, specific arrangements should be made for the use of the fields in the event of an emergency. General Anderson said that they would like such base rights, but that he thought they would be able to get them whether or not there was a written agreement. Mr. Hickerson concurred, but thought the price exacted by the Spaniards would be a good deal higher if we waited until the emergency actually had arisen instead of making the agreement now. However, Mr. Hickerson thought we would have to pay that price since he thought it would be politically unwise to make such an arrangement at this time, even in secret.

Mr. Hickerson said that we faced, in the case of Spain, a similar situation to that of Palestine, in which there has been a prolonged build-up of emotional thinking on the question both here and abroad and in which that emotional thinking was in conflict with our strategic defense requirements. Mr. Hickerson thought that joining with Spain in a military way, either on base rights or in furnishing the Spaniards with military training aircraft, would be greeted with dismay by important sections of public opinion in this country. This would be unfortunate at the time when liberal opinion was being brought around to

the necessity of national unity on the Communist question. The interjection of Spain would confuse the broader issue and might lose the Administration the support of influential opinion.

On the other hand, Mr. Hickerson said that there was no objection at all to the expansion and equipment of these airfields and the furnishing of civil aircraft, if the financing was all through private channels. Mr. Horsey said that the negotiations on looted gold would probably be finished within a few weeks and that this would aid the Spaniards in obtaining bank credits in this country. Mr. Hickerson thought that in this way we would get the military benefits under the cover of cooperation in civil aviation. Mr. Hickerson readily agreed that in the event of serious difficulties, the situation on Spain would change overnight.

General Anderson said that he was preparing a paper for the Joint Chiefs on the question raised at Key West and would include Mr. Hickerson's opinion that (a) the securing of base rights at this time was politically inadvisable; (b) the furnishing of any military aircraft at this time was likewise inadvisable and (c) there was no objection to a privately financed civil aviation program involving airport equipment and the largest civil aircraft, such as the DC-6.

S40.50 Recovery/3-2448 : Telegram

The Acting Secretary of State to the Embassy in Spain

SECRET

WASHINGTON, April 2, 1948—6 p. m.

201. Notwithstanding Franco's anti-Communist record (Embtel 202 Mar 24) inclusion Spain under present conditions would be manifestly contrary to purposes of ERP. Bill declares it "to be policy of people of US to sustain and strengthen principles of individual liberty free institutions and genuine independence in Europe through assistance to those countries of Europe which participate in joint recovery program based upon self-help and mutual cooperation".

View of this Govt has been and continues to be that initiative on Spain inclusion lies with original CEEC countries. They have made it crystal clear that it is politically impossible for them to cooperate with Spain along lines ERP under present conditions there.

Immediate and violent reaction in West European countries and here against proposed inclusion Spain underlines views of this Govt which you expressed to FonMin Feb 2 and since. You should press home to him and to all who are in position to influence course of events in Spain vivid illustration which this episode provides of necessity of their taking steps along lines previously indicated by you if pres-

ent relations with US and West European countries are to become fully normal. We shall do same with Baraibar ¹ here.

Sent Madrid 201 for action, rptd Amvat 9, London 1142, Paris 1068 for info.

LOVETT

¹ Germán Baraibar, Spanish Chargé d'Affaires in the United States.

840.50 Recovery/4-648: Telegram

The Acting Secretary of State to the Embassy in Spain

SECRET

WASHINGTON, April 6, 1948—noon.

207. Following reply was made by Secretary to Brit Amb Bogotá ¹ in response to *aide-mémoire* text ² being repeated separately:

"I would appreciate your sending following message to Mr. Bevin in reply to message which you were good enough to convey to me in your *aide-mémoire* Apr 1.

I have fullest understanding for concern expressed by Mr. Bevin at proposal for immediate inclusion of Spain in ERP, which appeared to be effect of amendment passed by House of Representatives Washington on Mar 30.³

Mr. Bevin will no doubt have seen statement made in Washington by President's Press Secretary ⁴ on April 1 to effect that President was opposed to inclusion of this amendment. Amendment has now been deleted ⁵ and view of US Govt remains that initiative on inclusion of Spain remains with Governments represented at original conference of CEEC in Paris".

LOVETT

¹ Gilbert MacKereth, British Ambassador in Colombia. Secretary Marshall was in Bogotá to attend the Ninth International Conference of American States, March 30–May 2, 1948; for documentation on this conference, see vol. ix, pp. 1 ff.

² Not printed.

³ A resolution introduced by Representative Alvin E. O'Konski, of Wisconsin, to make Spain eligible to participate in the European Recovery Program, was adopted on March 30.

⁴ Charles G. Ross.

⁵ The amendment was not included in the final version of the Foreign Assistance Act of 1948, which is Public Law 472, 80th Congress (62 Stat. 137).

852.00/4-2848: Telegram

The Chargé in Spain (Culbertson) to the Secretary of State

CONFIDENTIAL

MADRID, April 28, 1948—4 p. m.

294. Embtel 263, April 19.¹ Pre-Italian election propaganda build-up and earlier Spanish anticipation democratic defeat in Italy

¹ Not printed.

would result in our bringing Franco into ERP fold was so blatantly cockeyed that Spanish Government now apparently in quandary how approach international situation or what propaganda line to follow although vestiges still seen of recent violent anti-democratic and self-inflated campaign. Renewed rumor, which may have some foundation, that holding of municipal elections will soon be announced indicates possible effort part of government build up diversion public attention from world affairs and Spain's isolation. Any recession of Communist threat and evidence power and coordination of democratic forces leaves Franco's usual Communistic scarehead propaganda with decreasing effect and likewise they adversely affect Franco local strength so long as there be no external issue made over Franco. As ERP moves forward and as Franco sees that we are not as desperately in need of Spain strategically as he had thought, it is not entirely out of realm of possibility that we might get some degree of political and economic liberalization in Spain in not too distant future. From our standpoint here I think our best bet for moment is to stand off and let present quandary develop and not give any encouragement or peg on which Franco can hang his propaganda hat. In meantime Embassy will keep plugging along lines of Department's instructions of last December² and let them know those possibilities still open. If any Department officers talk with Lequerica³ efforts should be made disabuse his mind O'Konski House vote represents American public opinion. Our efforts with plan here have had little success and conviction widespread in official circles that US public opinion will soon force overtures to Franco on his own terms.

CULBERTSON

² See telegram 903, December 18, *Foreign Relations, 1947*, vol. III, p. 1096.

³ José Felix Lequerica, Spanish Foreign Minister, 1944; Inspector in the Spanish Foreign Service.

S52.50/6-1348 : Telegram

The Chargé in Spain (Culbertson) to the Secretary of State

SECRET US URGENT

MADRID, June 13, 1948—1 p. m.

NIACT

391. Deptel 348, June 11.¹ Embassy believes following measures could be adopted by Spain to amend economic policy and eliminate objectionable practices:

1. Establishment valid exchange rate. This would allow Spanish products compete foreign competitive markets, provide exchange for needed imports, eliminate need of private and official resort to exchange black market and for use complicated and unsatisfactory trade ma-

¹ Not printed.

chinery such as combined account, and would attract return to Spain of substantial amounts of assets held abroad by Spaniards.

2. Amend policy on treatment foreign investment, removing present restrictions on: (a) limitation foreign capital and management participation Spanish industry to 25 percent; (b) transfer or local investment of profits.

3. Modify or limit state control, ownership, and operation economic enterprise so as to: (a) eliminate unfair state competition and encourage private enterprise; (b) restrict operations state holding company INI to original objective of fostering essential industry not realizable by private capital; (c) remove unproductive intervention of vertical syndicates; (d) abolish or at least limit substantially official intervention secondary distribution imports and discriminatory allocation domestic production.

4. Revise foreign trade policy to: (a) avoid uneconomic channelization through bilateral clearing; (b) provide equal treatment on transfers of profits and earnings; (c) correct discriminatory practices in issuance import licenses as between state and private entities, national and foreign entities, and as between countries of origin; (d) eliminate costly delays in licensing procedures; (e) abolish minimum price restrictions on exports.

5. Modify price control to: (a) allow prices to reflect true value of product; (b) terminate current misrepresentation of real costs of production and cost of living; (c) eliminate forced employment by private industry of black market to obtain raw materials which arises directly from discriminatory system of allocations.

6. Abolish miscellaneous uneconomic trade policies and practices such as: (a) employment of registration of patents and trademarks as a protective measure; (b) use of excessive export and import levies for subsidy purposes.

Above measures believed feasible. Spanish business, banking, and industry are opposed present economic policies regime including those above enumerated. However, in spite this opposition, Franco has taken no corrective measures and any changes definitely dependent on will of one man. Likewise, lucrative vested interests many Franco supporters sure prove stumbling block. Nevertheless, present day Spanish economic policy largely result of attempt cope with relative economic isolation plus certain official preference for controlled economy. If Franco can see way out of that isolation, corrective measures present policies quite possible. Embassy convinced, however, that such measures would have little likelihood success unless commercial, financial, industrial elements of country are effectively brought into both formulation and execution economic policy. Reforms, if adopted and executed by generally inept government administrators and executives operating without effective participation of those who know and understand the needs of Spain's economy, could at best bring only mediocre results. Hence, effective incorporation of these elements in policy formulation is, without doubt, the most essential change required.

S52.51/6-2248

*Memorandum by the Director of the Office of European Affairs
(Hickerson) to the Under Secretary of State (Lovett)*

TOP SECRET

[WASHINGTON,] June 22, 1948.

Late in March, General Anderson told me of the Air Force's desire to have some of the most modern equipment installed on the three big airfields in Spain in connection with possible future use of those fields by American military planes. We agreed that the best means of proceeding would be a private loan for the purchase and installation of such equipment. Secretary Forrestal concurred and sent two officers to discuss the question with Mr. Aldrich¹ of the Chase Bank. I do not know the details of that conversation but was advised that Mr. Aldrich said the Bank would be glad to discuss such a loan with representatives of the Spanish Government. On April 6, I wrote Culbertson in Madrid concerning the matter, stating that Chase would be prepared to discuss such a loan but that no Export-Import Bank or other US Government financial participation was contemplated. A copy of my letter is attached.² Colonel Miller, our Air Attaché in Madrid, was here at the time and may have got the impression that Secretary Forrestal had obtained Aldrich's agreement to furnish the loan regardless of security.

A Colonel of the Spanish Air Force and a representative of Iberia Airlines have been here for some time negotiating with Chase for a loan both for airport equipment and for planes. We hear from the Bank, from the Spanish Embassy here and from our Embassy in Madrid that the Spanish representatives got the impression that the loan had been completely arranged, regardless of security, and that all they had to do was come to New York and sign. Chase has asked for gold coverage and the Spanish are unwilling to give it.

In an effort to straighten the matter out, Achilles, after checking with Blum³ in Forrestal's office, has told the Bank and the Spanish Embassy that as far as we are aware, the Spanish were told in Madrid, and in any event they should have been told, that the position of the State and National Defense Departments is that this Government hopes the loan can be worked out satisfactorily, that Chase was prepared to discuss such a loan, but naturally the terms and security must be worked out in agreement between the Spanish and the Bank.

Schermerhorn, Chase's Washington representative, stated this morning that the Bank would probably refuse the loan unless the Spanish were willing to offer gold or unless someone in either State or National

¹ Winthrop Williams Aldrich, Chairman of the Board of the Chase National Bank of New York.

² Not found in Department of State files.

³ Robert Blum, economist in the Department of State, temporarily attached to the Department of Defense.

Defense specifically told them that the national interest required the loan to be made regardless of collateral. This was passed on to Forrestal's office.

I understand Forrestal plans to consult you about this. I recommend that we give our position, namely, that both Departments are interested in seeing the transaction completed but that the terms must be worked out between the Spanish and the Bank unless Forrestal is sufficiently interested to ask the Bank to make the loan without security, in the national interest.⁴

If there should be any publicity concerning the matter, our position would be that we favored the loan in the interest of promoting safety in international aviation.⁵

⁴ Marginal note to this paragraph: "Passed this on to Forrestal. L[ovett]".

⁵ Telegram 385 of June 30 informed the Embassy in Spain that the Departments of State and National Defense had decided that it would not be justifiable to tell the Chase Bank that "national interest required loan be made regardless collateral". The telegram further stated that Baraibar had again been informed that participation by the Export-Import Bank was not possible, and that he expected the Spanish negotiations with the Chase Bank to fail unless the Spanish Government agreed to put up gold collateral, as the Bank required.

852.00/6-2948

*Memorandum of Conversation, by Mr. William B. Dunham of the
Division of Western European Affairs*

CONFIDENTIAL

[WASHINGTON.] June 29, 1948.

Participants: Mr. Baraibar, Chargé d'Affaires of the Spanish
Embassy
Mr. Achilles, Chief, WE
Mr. Dunham, WE

During his call this morning, Mr. Baraibar was shown a copy of a telegram¹ from Mr. Culbertson in which he reported that he had been informed by the Foreign Minister that the Spanish Government expects to announce within the next few weeks the holding of municipal elections in Spain sometime during October or November.

Mr. Achilles said this was a very hopeful sign and he hoped the Spanish Government would go through with this action. He felt that any measures taken by the Spanish Government to dramatize the elections would be helpful in indicating to the world that Spain, in its own way and its own time, was moving in the direction of more liberal domestic policies. He mentioned to Mr. Baraibar that any of these actions taken before the forthcoming General Assembly in Paris would undoubtedly have a beneficial effect.

¹ Not printed.

S52.00/9-148

Policy Statement by the Department of State on Spain

SECRET

WASHINGTON, July 26, 1948.

A. OBJECTIVES

The primary objective of United States policy toward Spain at this time is the reintegration of Spain, politically, economically and militarily, into the free western European community of nations through the progressive normalization of Spanish relations with those countries and with the US.

B. POLICY ISSUES

Although public opinion in Europe and the United States concerning Spain has moderated markedly in the past two years, full realization of our objective toward Spain will be difficult if not impossible without at least some political and economic changes within Spain.

Such changes in Spain can be brought about only by the Spanish people themselves, not by interference from abroad. The primary desire of the Spanish people, other than extreme leftists, is unquestionably for stability and the avoidance of a recurrence of civil strife. We emphatically do not desire to see the Spanish state weakened to a point at which disorder and civil strife might ensue. However, the indefinite prolongation of the present conditions of oppression and corruption within Spain can only lead to an explosive political situation unless relieved in a gradual and orderly manner. For these reasons we are attempting to persuade the Spanish Government that its own interest in regaining reacceptance into the international community and in future order in Spain require some moderate evolutionary steps. We fully realize that a broadly free and democratic regime is both almost unknown in Spanish history and impossible of attainment at any time in the near future.

1. POLITICAL

In line with this policy, the US discouraged further international pressure upon Spain at the 1947 session of the UN General Assembly. The majority of UN members, other than the Soviet bloc, appeared to share our view that real improvement in the Spanish regime could not be brought about through pressure from abroad. The US delegation successfully opposed reaffirmation of the 1946 General Assembly resolution on Spain, but this resolution has not yet been repealed, and our policy must take it into account. Because of the importance attached by this government to the principle of compliance with UN

recommendations, we should take no action contrary to the 1946 Resolution on Spain until it is rescinded or modified.

In seeking to encourage political and economic changes in Spain, we are offering no direct suggestions as to the form or composition of the Spanish Government, taking the position that whether that government be monarchical or republican or whether or not it includes Franco or any other individual are matters for determination by Spaniards alone. We believe that friendly emphasis on the advantages to Spain of evolution, in contrast to Soviet-inspired pressure for a complete overthrow of the government, can exert a powerful effect both upon the government itself and upon many groups in Spain who desire social and economic changes based on a more representative form of government, but who fear chaos and disorder should the present regime be overthrown suddenly. At the same time, we are of course mindful of the difficulties impeding evolution, including the obstinacy of Franco and his close supporters, passions remaining from the Civil War, the inherent instability of Spanish politics, the complacency and support of the present regime by various rightist groups and the present repression of political expression in Spain.

Insofar as the US attitude can have influence within Spain, we hope to convince rightist elements now supporting the regime, particularly the Army and the Church, that we do not favor foreign intervention in Spain and are not seeking to reverse the outcome of the Civil War, but we do hope to see orderly evolution toward a more broadly based government, under which their legitimate interests would not suffer and which would restore Spain to its full political and economic place in the international community. We hope the center and non-Communist left will recognize that such evolution will afford a better chance for genuine attainment of their objectives than revolution.

2. ECONOMIC

In the economic field we contemplate gradual and unobtrusive relaxation of existing trade restrictions. The shortage of dollars and the corrupt and inefficient control of economic affairs in Spain by the regime are, however, the chief obstacles at present to an increase in private US-Spanish trade. Without gold as collateral private US banks have been unwilling to extend loans to the Spanish Government or to private Spanish firms. The Department, when consulted about private trade credits, has stated that there is no objection on political grounds to such loans, but leaves the question of the economic risk involved to the judgment of the bank. The satisfactory conclusion of the looted gold negotiations on May 4, 1948 should, however, relieve this situation and facilitate the extension of private American credits since the Spaniards are now able to use gold as collateral. While pri-

vate loans will serve as a certain stimulation to private trade, a real improvement in Spanish internal economic conditions, particularly as they apply to foreign trade, will probably be a necessary prerequisite on purely commercial grounds before US firms will feel inclined to trade with Spain in any substantially increased volume.

We do not now contemplate either direct governmental financial assistance to Spain or indirect financial assistance, such as US Government participation in credits extended by private US firms to Spanish firms or to the Spanish Government. Positive economic assistance from this government should await, and serve as an inducement for, the taking of concrete steps toward liberalization in Spain. We expect to coordinate our economic assistance with political developments in Spain and to utilize it to encourage evolution.

The inclusion of Spain in the European Recovery Program will also probably depend upon the degree of international "respectability" which Spain is willing and able to attain. The question of Spain is still a domestic political issue in many of the western European countries. The United States has taken the position from the beginning that the initiative for inviting Spain to participate in the ERP lies with the participating nations. We have not suggested and have no intention of suggesting to these nations that Spain be included. Whether these nations do in fact eventually invite Spain to participate will undoubtedly depend upon steps which the Spanish Government is willing to take to improve its international reputation and thus make it politically possible for a majority of the ERP countries to invite Spain to participate. If these nations should decide at some future time that conditions have changed and they wish to propose the inclusion of Spain, we have indicated publicly that we will consider that new situation on its merits.

C. RELATIONS WITH OTHER STATES

D. POLICY EVALUATION

The necessity for political and economic changes within Spain to bring about full normalization of relations between Spain and the western nations springs from the situation which now prevails in Europe. This situation is still primarily political, not military, and as such must be dealt with by the US in political terms.

Politically and militarily our two principal Allies in Europe are Great Britain and France. Their strategic interest in Spain is greater than ours. While at least the military in both countries favor the earliest practicable integration of Spain into the western strategic pattern, both governments consider public acceptance of Spain into the international community politically impossible at this time or until there

has been some evolution within Spain. In the implementation of our policy toward Spain, therefore, we must have due regard for the political effect our actions in Spain have on the problems which confront US policy in the rest of Europe. At the same time, we wish to promote those projects in Spain in which US military authorities are interested, insofar as that is possible within the limits of our policy.

Since 1946 Spain has been a widely publicized and highly emotional issue in a great many countries of the world. In particular the Socialists, who either control or hold the balance of power in almost every western European government, have an emotional repugnance for Franco nearly as strong as, and in some cases stronger, than their repugnance for Communism. The repercussions caused by the recent vote in the House of Representatives concerning Spain has indicated the political proportions of the Spanish issue abroad as well as the objection to the Franco regime which still exists in this country. Overly precipitate action on our part in normalizing relations with Spain at this time would encounter public criticism in the US, dilute our prestige in many western European countries and embarrass our efforts to encourage closer economic and political collaboration between those countries.

The military problem with respect to Spain is based on the strategic value of Spain's geographic location and the importance of preventing Spain from coming under the control of a Communist, or Communist dominated, government. In this connection, our military authorities believe it is important, as we do, to assist Spain in the rehabilitation of its economy. This is, of course, one of the important considerations which impel the US to encourage economic and political changes in Spain which will make it politically feasible for the US and the western European nations to assist Spain in restoring its economy and in regaining its place in the international community.

Up to the present time the Spanish Government has been completely unresponsive to the statements of US policy which have been made to Spanish officials. Spanish fear of Communism and the imminence of another war have increased the strength and support of the regime, including the support of many sections of the population who are basically opposed to the Franco regime but who have felt that the time was not propitious to experiment with measures designed to produce political or economic modifications. Also, the Franco regime has been confident that Spain's strategic geographic location is so important to the Western nations, and particularly to the US, that it would not only be unreservedly accepted by these nations but would also receive economic and military aid. This conviction became more pronounced as, in Franco's view, tension between the US and the USSR increased as a result of Soviet encroachments and aggressive tactics in Europe.

The Communist set-back in Italy, the gradual improvement in the

situation of democratic forces in western Europe, the relative political calm prevailing in Europe and the favorable progress of ERP have now come apparently as a sudden and unsettling surprise to the Spanish Government. These developments are also beginning to cause moderate Spanish opponents of Franco's regime, as well as his more objectively minded supporters, to consider the advantages of possible modifications of the regime in order that aid now essential to Spain may be received from abroad either directly from the US or through ERP. As this internal discontent counts, as ERP moves forward and as Franco sees that the west is not so desperately in need of Spain strategically as he had thought, it is possible that he may be forced to accept some degree of political and economic liberalization—provided, of course, that no external issue is made of his regime which would enable him again to whip up nationalistic feelings and rally the nation to his support. The possibility of any liberalization will also depend on how serious the Army, the Church and the other principal supporters of the regime consider the economic situation and the need for aid to be. While a recent loan from Argentina and the new commercial agreements with France and the UK will undoubtedly partially relieve Spain's economic problems, and may even assist Franco in postponing any measures of change, capital equipment and long term loans are still required in the rehabilitation of Spain's economy. These are matters in which assistance is required primarily from the US, a fact which is expected to act as an incentive in encouraging action in Spain along lines desired by the US.

We believe, therefore, that the most desirable course of action for the present is to avoid international pressure on Spain and to continue our efforts to emphasize the need for political liberalization, disabusing Spanish minds of the conviction that US public opinion will eventually force us to accept Franco on his own terms. We can concurrently encourage private trade with Spain and private investment on a purely business basis, and we can develop informal contact between Spanish and US military authorities, provided in all cases our political line is made clear.

710.52/7-2848 : Circular airgram

*The Secretary of State to Diplomatic and Consular Offices in the American Republics*¹

SECRET

WASHINGTON, July 28, 1948—9:20 a. m.

The Brazilian Ambassador² informed us on July 21 that his Government was disturbed over the effect on the UN of the gradually

¹ Information copies were also sent to the Embassy in Madrid and the United States Mission to the United Nations.

² Mauricio Nabuco.

increasing number of Ambassadors or Ministers assigned to Spain by various of the American Republics. He also mentioned the effect on inter-American relations of the division over this point with some American Republics bitterly opposed to closer relations with Spain. There is obviously a difference of opinion as to whether the 1946 Resolution on Spain is still in effect. Although, the Brazilian Government does not agree with the US that the Resolution is still binding (see Depeirgram Dec. 30, 1947³) and would like to send an Ambassador to Spain, it believes the doubt about the 1946 Resolution should first be resolved in the UN. We suggested that Spain would probably come up for discussion at the General Assembly this Fall and that this matter could be considered at that time. The Ambassador felt it would be well for the US and Brazilian Governments to exchange views with the other American Republics and perhaps with other governments. He thought this might also tend to forestall the sending of Chiefs of Mission to Spain by American Republics pending possible General Assembly action. We agreed with his suggestions.

We have already initiated discussions with the British and French to get their views and to see if it will be possible to agree on a common position. In substance the following considerations have been presented:

The support and strengthening of the UN is a fundamental principle of our foreign policy and we attach importance to scrupulous compliance with UN recommendations. Since the UN Resolution of December 12, 1946 on Spain was not repealed by the 1947 General Assembly, we intend to continue to adhere to its recommendations so long as it remains in effect.

However—and without going into historical detail—we have long questioned the advisability and efficacy of this Resolution and experience has strengthened our doubts. It has failed in achieving its intended purpose, namely, encouraging a change in the Spanish Government. Furthermore the Resolution has not received the full respect of the member states of the UN. The portion relating to Chiefs of Mission has been violated and there are indications of the possibility of additional violations of that provision. This lack of respect for a UN resolution is injurious to the UN. It would be better for the UN to recognize a mistake and repeal the provision not engendering respect than to allow it to expire in a lingering fashion through repeated violations. Therefore, if a substantial number of governments indicate a desire at the next General Assembly session to repeal or modify the 1946 Resolution, we would be prepared to seriously consider such proposals.

We recognize that there is little, if any, possibility that such action will succeed until the Spanish Government has undertaken some modifications in its domestic policies which will make it less objectionable to public opinion in the Western nations. Even in the absence of such

³ *Foreign Relations*, 1947, vol. III, p. 1099.

modifications, however, we are prepared to vote in favor of certain changes in the Resolution, basing our action on our honest belief that the Resolution has proved to be an ineffective gesture. In this connection, we would favor either or both of the following two changes if they are proposed at the next General Assembly session: (1) amendment of the 1946 Resolution to permit the admission to membership in technical organizations affiliated with the UN of any non-UN member when such member, in the opinion of the organization, will contribute to the special technical objective of the organization; (2) deletion from the Resolution of the recommendation concerning the withdrawal of Ambassadors and Ministers from Madrid.

In the event that there are indications before the General Assembly meets that the Spanish Government is undertaking a liberalization of its domestic policies, we would then be prepared to consider, to the extent justified by the actions of the Spanish Government: (1) giving active support to the above changes or (2) voting in favor of repealing the 1946 Resolution.

It is suggested that, at your discretion, you take a suitable opportunity to discuss this question with the FonOff, reporting any conversations to the Department.

MARSHALL

852.00/8-2548

Memorandum of Conversation, by the Chief of the Division of Western European Affairs (Achilles)

CONFIDENTIAL

[WASHINGTON,] August 25, 1948.

Participants: Mr. Felix Lequerica, Spanish Inspector
Mr. Hickerson, Director, EUR
T. C. Achilles, WE

Lequerica called at his request. Mr. Hickerson opened the conversation by observing that he must be making a rather thorough inspection of the Spanish Embassy and Consulates. He laughed and stated in reply to the question that he had been here for four months. Mr. Hickerson commented that our own inspections of large posts abroad sometimes took as much as four or even as much as five months.

Mr. Hickerson observed that conditions in Spain were conspicuously unchanged in both the political and economic fields. Mr. Lequerica deprecated the need for any political changes but thought economic changes both desirable and possible.

Mr. Hickerson reviewed UN action on Spain. The 1945 [1946] Resolution excluding Spain from membership in the UN was obviously entirely within the competence of the organization. Its subsequent actions on Spain had been open to question on two counts: they came very close to attempted intervention in domestic affairs and they were

based on the unsound premise that conditions in Spain threatened the maintenance of peace. We had in 1946 and 1947 questioned both the advisability and the efficacy of the action taken. While we did not believe that, in the absence of substantial change in Spain, there was any likelihood that two-thirds of the members would support either repeal or modification of the 1946 Resolution, we would be prepared to support modification both concerning membership in affiliated agencies and concerning the sending of Ambassadors but not ourselves to initiate such action.¹

Mr. Lequerica handed over the attached informal paper and expressed the belief that the difficulty of obtaining a two-thirds majority for repeal could be avoided by presenting a new Resolution substantially identical to the 1946 one, which would presumably fail to obtain two-thirds. Mr. Hickerson commented that whether such action would effectively repeal the 1946 Resolution or not would depend largely on the Secretary General's verdict. Mr. Achilles added that a number of governments would probably be antagonized by the transparency of such a maneuver.

Mr. Lequerica stated that much could be accomplished, including "miracles" in the economic field if the United States had contact with Spain through an Ambassador in Madrid. Mr. Achilles reminded him that any time the Spanish Government wanted contact with the U.S. Government it had only to approach our Chargé in Madrid or use its own Chargé in Washington. Lequerica stressed Spanish pride and prestige and said that when Norman Armour had been Ambassador² he had been able to "obtain" several desirable changes. Mr. Achilles interjected that we were not interested in "obtaining" anything from Spain, that it was the Spanish Government which was interested in obtaining readmission into the international community and were merely giving friendly advice as to how it might go about doing so.

The conversation ended with Lequerica saying that progress was up to the United States and being advised that in our opinion it was definitely up to Spain.

[Annex]

During 1946 it was proposed to recall the Chiefs-of-Mission from Madrid. This motion was passed by the General Assembly of the United Nations with the required two-thirds majority. Consequently many nations recalled their Chiefs-of-Mission, excepting the Argen-

¹The last seven words of this sentence were written in and initialed by Hickerson.

²Mr. Armour had been Ambassador in Spain from April 15, 1944, to December 31, 1945.

tine which sent an Ambassador to Madrid claiming that the motion had only been a recommendation.

In 1947 the same motion again was put to a ballot. The United States voted against it and the resolution was not passed as it failed to obtain the two-thirds majority required by the rules. Thereupon the U.N. member-nations were free to send Chiefs-of-Mission to Madrid; this Bolivia, El Salvador, Santo Domingo, and Peru have done.

According to the U.N. rules of procedure no new resolution is needed to normalize diplomatic relations with Madrid, but the Department of State alleges moral reasons for not appointing an Ambassador. It states that if the 1947 resolution did not receive the two-thirds vote necessary for its approval according to procedure, morally it is not binding as a majority of votes were not cast on the resolution.

Perhaps a new and favorable resolution might be taken regarding Spain reversing the 1946 resolution and clearly permitting the return of Chiefs-of-Mission to Madrid and the renewal of full diplomatic relations. For such a resolution to be passed two-thirds of the votes cast would have to be "ayes".

But if this did not happen? We could have the paradox of a majority voting in favor of full diplomatic relations and yet not have a new and favorable 1948 resolution. And have at the same time a resolution favoring renewal of relations in 1947 owing to the fact that that resolution was defeated even though by a minority. What would the United States and, perhaps, other nations do in this case? Follow the desire of the majority who voted in favor of full diplomatic relations with Spain (1948) even though the agreement was not valid because it did not obtain the votes of a two-thirds majority? Or feel scrupulous and maintain that, although there had been a majority, it had not been of two-thirds and that, therefore, normal diplomatic relations could not be taken up with Madrid? But if this was alleged, why not apply the principle to the 1947 vote which, according to procedure, permitted full diplomatic relations even if the motion were passed by a minority?

To solve this situation naturally and within legal bounds is to follow the 1947 resolution without any new vote. The majority will be determined individually by the nations as they send representatives to Madrid and can be obtained through a special agreement between the nations favorably inclined.

If because of some unexplained resistance this solution were not reached, it would be expedient to vote on a new negative resolution such as those of 1946 and 1947—contrary to Spain—which, most probably, would not receive the two-thirds majority necessary for approval, as in 1947, but which, considering the present attitude of many countries, might even be turned down by a majority.

Or again, an explicatory resolution could be passed to determine whether the 1946 or the 1947 recommendation should be followed, but this only if such an agreement did not require, as we believe, a two-thirds majority of all votes but only a simple majority as per procedure.

852.00/9-2148

The Ambassador in Portugal (MacVeagh) to the Secretary of State

SECRET
No. 352

LISBON, September 21, 1948.

SIR: With reference to my airgram no. A-319 of September 14, Madrid's despatch no. 548 of September 19, and related messages,¹ I have the honor to add to the Department's supply of "intelligence" on the recent meeting off the coast of San Sebastián between General Franco, the Spanish Dictator, and Don Juan, the Spanish Pretender,² by quoting below the account of a person close to the latter, as reported by an American controlled source. My reason for thus perhaps gilding the lily of rumor is that this report is of so detailed and factual a character as to create a strong impression of verisimilitude if not actually to compel belief.

"According to my informant, the interview between Don Juan and General Franco was prepared in a most secret manner by Franco, so that not even his closest collaborators knew his intentions. Artajo, the Foreign Minister, and Fernandez Cuesta, the Minister of Justice, who were with Franco at the time, were thunderstruck to learn of the meeting from an outstanding monarchist of Bilbao; neither one was willing to believe it. The Duke of Sotomayor was chosen by Franco to handle all details of the interview. The motive alleged for it by Franco was his desire to have Prince Carlos, Don Juan's oldest son, sent to Spain for his education.

"Arrangements were made to have the *Azor*, with Franco on board, meet the *Saltillo*, carrying Don Juan, at a specified spot in the Bay of Biscay. It was planned that Franco would board Don Juan's yacht, but the rough seas made manoeuvring a bit difficult, and so it was necessary to change plans. Then Don Juan went aboard the *Azor*. As he went aboard he was greeted with the honors paid to a captain-general, and Franco greeted him as "Your Majesty".

"Franco told Don Juan that he was a hundred percent monarchist and reiterated his desire to restore the monarchy in Spain. He mentioned Don Juan's father, Alfonso XIII, whose faithful servant he had been; he mentioned other outstanding monarchists, of one of whom, Calvo Sotelo, he had been a great friend. In talking of them

¹ None printed.

² This meeting took place on August 25. Various reports and rumors about the meeting were included in other messages from Lisbon and Madrid. (Department of State file 852.00)

Franco's eyes filled with tears, but Franco is reputed to cry very easily.

"Franco finally came to the point: he wanted Don Carlos in Spain, where he would be treated as a royal personage and could complete his education. Don Juan refused, giving as his reason that his son could not be educated in Spain because there was no liberty of any kind there; Franco would first have to grant broad liberty of press and propaganda to the monarchists. So long as that was not a reality it was useless to expect that Don Carlos could go to Spain for his education.

"Thus, no agreement was reached, but Don Juan is in an attitude of hesitancy, wondering what reaction will be produced in Franco, and wondering what attitude Franco will take as regards the Spanish monarchists after the demands which Don Juan made on him.

"Don Juan came away from the interview with a bad taste in his mouth. He says Franco is the most cunning and sly person he knows; that his monarchist assertions are false and deceitful; that he is doing nothing but trying to save his own position; that Franco deeply hates the monarchists. The attempts to take Don Carlos to Spain supposedly to be educated are nothing but a snare to obtain possession of his son, then play the role of monarchist by proclaiming an indefinite regency in which Franco would be the only authority. Don Juan will not be persuaded to change his mind for any tears or any phrases of Franco.

"Don Juan was aghast at the reports published in Spanish papers and disseminated by Spanish agencies that it was he who asked for the interview. At the present time he does not intend to issue an official denial, preferring to wait and see what reactions the interview produces on Franco."

Respectfully yours,

LINCOLN MACVEAGH

S52.00/9-2248 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET US URGENT

PARIS, September 28, 1948—4 p. m.

5076. Prieto¹ group informs us that agreement has been reached between Spanish Monarchists and exiled Spanish Socialist Party for political collaboration designed to lead to replacement Franco by caretaker regime which would prepare for national plebiscite for new Spanish constitution.

This represents culmination of year's negotiations between representatives of Indalecio Prieto and Gil Robles.²

Copies of signed agreements will be presented to governments of US, UK, France, Belgium, Holland, Luxembourg on Wednesday, Oc-

¹ Indalecio Prieto y Tuero, leader of the Spanish Socialist Party in exile.

² José Mari Gil Robles y Quiñones, leader of the Spanish Monarchists in exile.

tober 6, to be followed by public announcement. Socialists desire to present their notes at respective Embassies in Paris while Monarchists intend to present theirs simultaneously at respective Embassies in Madrid. It is possible that Prieto may have met with Suñer³ during course of negotiations, but Suñer and element he represents are definitely excluded from alliance. The Monarchists are represented by Gil Robles, with whom Don Juan is reported to be on closest terms.

On Republican side, Socialists represent not only their own party, but also exiled trade union movements, CNT and UGT. They also enjoy support exiled Izquierda Cataluna (Catalunian Left Party), and Alianza Democracia (clandestine non-Communist Republican movement inside Spain).

All Republican elements under Communist influence have been rigorously excluded from negotiation. These include, in addition to Spanish Communist Party, discredited and isolated remnant of Spanish Government in exile under Albornoz and José Giral;⁴ also fractional fellow-traveler elements from other parties, grouped in Communist Front organization known as "Fighting Spain". Although Negrín⁵ reportedly has broken with Del Vayo,⁶ former has not been consulted by Prieto group, who still regard him with suspicion.

By grouping together all Republican and Monarchist elements and excluding Communists and Falange, it is intended to provide necessary broad basis for substitute regime which was demanded in British-French-US tripartite note of 1946.⁷

It is expected that Communists will launch violent attack upon this program, accusing Socialists of betraying their Socialist and Republican principles. It is not thought likely, however, that Spanish Government in exile will join in these attacks. Their position is generally considered too precarious.

Sent Department 5076; repeated Madrid 90, London 1003.

CAFFERY

³ Probably a reference to Carlos Pi y Suñer, a Spanish left wing radical in exile.

⁴ Álvaro de Albornoz y Liminiana, Prime Minister of the Spanish Government in exile; José Giral y Pereira, Prime Minister of the Spanish Government in exile during 1947.

⁵ Juan Negrín López, leader of the Spanish Left Wing Socialists in exile.

⁶ Julio Álvarez del Vayo, a leading Spanish Republican in exile.

⁷ For text, see Department of State *Bulletin*, March 17, 1946, p. 412.

852.01/10-448

Memorandum of Conversation, by the Secretary of State

SECRET

[PARIS,] October 4, 1948.

Participants: Secretary Marshall
Dr. Schuman, French Delegation
Mr. Bevin, British Delegation

Dr. Schuman opened the meeting¹ with the subject of Spain. He had an agenda which I gathered had been proposed by Bevin at some earlier meeting, but which was entirely unknown to me.

I was asked to comment first and explained that the recognition of Spain presented no particular problem in the United States, that the problem of my Government was consideration for the reaction of the peoples in Italy, France, Belgium, Norway and England, while at the same time encountering the rapidly developing effort on the part of Latin American countries to cancel the resolution of two years ago which was introduced by Poland. I explained that through Dr. Fernandes of Brazil² I had learned that the Latin Americans were very much concerned over the preferential position occupied by Argentina in having an ambassador in Madrid, and that their motions in this affair were directed entirely to correct that situation and lessen the prestige of Argentina accordingly. I had explained to Dr. Fernandes that that was a very minor problem compared to the tremendous importance of the reactions of the people of Western Europe, to which I had to give my first attention in the present crisis.³

I explained that the recent statement by Senator Gurney,⁴ which I had not yet read, was not inspired by the Government, but was purely his own reaction, and that the military officers who accompanied him to Madrid were the liaison officers from the Army, Navy and Air to the Congress, and evidently had accompanied Gurney since he was the Chairman of the Armed Forces Committee of the Senate. They were not representing serious military considerations so far as I knew.

¹ The three foreign ministers, who were also taking part in the sessions of the United Nations General Assembly at Paris, met at the Quai d'Orsay at 3:30 p. m.

² Dr. Raúl Fernandes, Foreign Minister of Brazil.

³ For documentation on the Berlin blockade, see vol. II, pp. 909 ff.

⁴ Senator Chan Gurney, of South Dakota, Chairman of the Armed Services Committee of the United States Senate, conferred with General Franco at Madrid on September 30. At a meeting with the press following the talk with Franco Senator Gurney recommended the reestablishment of diplomatic relations between Spain and the other great powers.

I went on to explain that I did not know how we would proceed to a final solution of this question; that Spain offered important cooperation to the European Recovery Program and also the strongest military force in Western Europe, neutral Sweden being next in power.

Mr. Bevin then explained the situation of his Government, illustrating the delicacy of the matter by the unanimity and violence of the reactions in England to the resolution in the House of Representatives regarding the recognition of Spain.⁵ He said he was greatly surprised to find that all parties were unanimous in condemnation of such procedure involving the recognition of Franco. His hope was that we could play down any action on the Spanish question in the UN at this time. It was low on the agenda and we should conspire to get it in the last position. He stated that if it did come up, that is the Polish resolution, he could vote against it (Dr. Schuman stated he could vote against it). Mr. Bevin proposed that we individually endeavor to persuade influential Latin American leaders to drop this issue.

Dr. Schuman more or less repeated Bevin's approach to the problem and stated that a recognition of the Franco Government would not only involve a public reaction but would involve serious complications in the coalition government. He thought that the border affairs were being adjusted so that matters were now proceeding in a normal manner, and that economic relations were gradually reaching normal. He was in accord with Mr. Bevin's proposal.

It was agreed that we should follow the course outlined by Mr. Bevin.

⁵ See telegram 207 to Madrid, April 6, and footnotes, p. 1036.

852.00/10-848 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

CONFIDENTIAL

PARIS, October 8, 1948—4 p. m.

5270. My 5076, September 28. Trifon Gomez, Spanish labor leader in exile, called at Embassy this morning and explained that following communication which he left with us and which is signed by Indalecio Prieto, Antonio Perez, Trifon Gomez and Luis Jimenez de Asua in name of Socialist Party is text of an accord negotiated by Prieto with Gil Robles and signed in addition to latter by Saiz Rodriguez, Felix Bejarano and Conde del Andes representing Monarchists. He requested that names of Monarchists, aside from that of Gil Robles, be kept confidential. Text follows:

"The political forces signatories of this statement, wishing to avoid the ruin of their country and the sufferings which would be caused by whatever violent solutions of its political problem, solemnly engage themselves to abide by the following principles and to implant them, or

to help to implant them in a resolute way during a transitional period allowing Spain to establish normal institutions that will be the genuine expression of her will:

(1) To decree a wide amnesty for political offenses.

(2) To establish from the very beginning a legal statute which will regulate the use of the rights of man and set up a system of judicial appeals against the transgressions of public power.

(3) Inflexibly to maintain public order and to prevent all sorts of vengeance or reprisals for religious, social or political motives.

(4) To readjust, with the cooperation of all the elements interested in production, the shattered national economy.

(5) To exclude from the political leadership of the country every totalitarian group or influence, whatever their nuances may be.

(6) Immediately to incorporate Spain to the group of the western nations of the European continent associated for the ERP started with the economic aid of the United States of America, and to incorporate her as well to the pact of the five—Great Britain, France, Belgium, Holland and Luxembourg—as the initial nucleus for the federation of western Europe, first, and of the whole Europe later on, always within the Charter of the United Nations promulgated in San Francisco.

(7) To guarantee the free practice of worship and the consideration due to Catholic religion, without detriment for the respect also due to other beliefs, in agreement with freedom of thought.

(8) Once the civil liberties have been restored, and that will take place with the greatest speed permitted by circumstances, to consult the nation to the effect of establishing a definitive political regime, either in a direct form or through representatives, but in any case by secret vote, to which all Spaniards of either sex with full political capacity will be entitled. The Government presiding this consultation, by its composition and the significance of its members must be an efficient guarantee impartiality.

The political forces signatories of the foregoing statement proceed to organize in a permanent form a liaison committee which will be in charge of everything concerning the fulfillment of the eight points embodied in the statement."

Repeated Madrid 97, London 1032.

CAFFERY

852.00/10-648

*The Acting Secretary of State to Representative Jacob K. Javits*¹

PERSONAL

WASHINGTON, October 11, 1948.

DEAR MR. JAVITS: I have received your telegram of October 6,² protesting a statement which a prominent New York newspaper incorrectly reported Secretary Marshall as having made. I can assure you

¹ Member of the Foreign Affairs Committee of the House of Representatives.

² Not printed; it protested a statement attributed to the Secretary of State that the United States would support the rescinding of the General Assembly resolution recommending cessation of diplomatic relations with Spain (852.00/10-648).

that there has been no reversal of this Government's policy toward Spain.

This Government continues to believe that the best interests of Spain require evolution toward democratic government and that Spain's relations with this country and the other democracies cannot become fully normal, as we would like to see them, in the absence of such evolution. We have never slackened our efforts to convince the Spaniards of the soundness of this point of view. We do not believe and never have believed that the Resolution adopted by the United Nations General Assembly in 1946 would be effective in bringing about the desired changes in Spain. Experience has confirmed our doubts as to both its wisdom and its efficacy.

This Government has no intention of initiating any action on Spain in the present session of the Assembly. Since we do not yet know what proposals may be made by other governments, I cannot say what our exact position will be, but it will be based on our long-standing views as indicated above.

Sincerely yours,

ROBERT A. LOVETT

501.BC Spain/10-1548 : Telegram

The Secretary of State at Paris to the Acting Secretary of State

SECRET PRIORITY

PARIS, October 15, 1948—4 p. m.

Delga 338. US GADel working group must shortly submit to delegation precise outline position paper on Spain. Working group has taken into account views expressed in Department and by Department officers to foreign representatives. Of particular relevance is Secretary's memo of conversation with Bevin and Schuman on this subject dated October 4.

Before submitting paper to delegation, working group will appreciate Department's comments. Draft position paper follows:

"1. The US would have preferred that the Spanish question not be on the agenda of the present session of the GA. It favors, therefore, the placing of the Spanish question at the end of the Committee One agenda and would support deferring action on the matter if a shortage of time indicates certain subjects must be deferred by this session of the Assembly. In pursuit of this objective, the USDel should express informally to other delegations the view that we hope consideration of the Spanish question can be avoided at this session.

2. If the Spanish question is actively considered at this session of the Assembly: (1) The US should take no initiative on the subject; (2) in dealing with the Spanish question the USDel should be strongly influenced by the effect of its action on the democracies of Western Europe. Although it may not be necessary for the US to vote in accordance with Western European democracies, it should at least ascertain

from top level political discussions whether a particular US vote would have serious and unfavorable repercussions within western and northern European democracies and the British Commonwealth, whether on the domestic situation, the relation between those countries and the US, or the attitude of their public opinion toward the US.

3. Subject to paragraph two, above, the USDel would be willing to vote favorably for resolutions proposed by other delegations which would (a) permit specialized agencies to admit Spain to membership if the effectiveness of the specialized agencies would be enhanced thereby from the technical point of view, (b) permit the UN members to exchange chiefs of diplomatic missions with Spain. As between these two modifications of the 1946 resolution, the US would prefer modification regarding the specialized agencies to that regarding chiefs of mission.

4. The USDel should not vote for (a) a resolution more strongly anti-Franco than the 1946 resolution, (b) a reaffirmation of the 1946 resolution, (c) a total rescission of the 1946 resolution.

5. Prior to actual consideration of the Spanish question in the GA and the tabling of motions by other delegations, the USDel should limit its discussions with other delegations to the point contained in paragraph one, above."

MARSHALL

852.51/10-2048

Memorandum of Conversation, by Mr. William B. Dunham of the Division of Western European Affairs

SECRET

[WASHINGTON,] October 20, 1948.

Participants: Mr. Barth, Vice President, Chase National Bank
 Mr. Schermerhorn, Washington Representative, Chase National Bank
 Mr. Achilles, Chief, WE
 Mr. Dunham, WE

Mr. Barth, who has just returned from a two months trip to Spain, called to inquire whether the Department had any objection to a loan the Chase National Bank proposes to negotiate with the Spanish Foreign Exchange Institute for a two year revolving credit of from \$10 million to \$15 million. He said that the loan would be used primarily to finance the export of American cotton to Spain and the construction of an ammonium nitrate plant. The loan will be made against 105% gold collateral, the gold to be held in London.

He was told that we had no objection to any private financial transactions of this type. Mr. Barth said that he would draw up the loan agreement, the principles of which the Spanish officials concerned had already agreed to, and he expected it would be signed shortly in

Madrid. He said that he would send us a copy of it and asked that in the meantime this information be kept strictly confidential.

501.BC Spain/10-1648: Telegram

The Acting Secretary of State to the Embassy in France

SECRET

WASHINGTON, October 21, 1948—7 p. m.

Gadel 270. Prior opening Assembly we had instructed our missions Western Europe, British Dominions and other American Republics to seek views Govts there and advise FonMins that while we had no intention taking initiative on Spain we were prepared vote in favor of the two specific changes in 1946 Resolution (Paris Emb has Dept's circular Sept 10,¹ 1 am; similar circular sent missions in Am Republics July 28.) Replies received indicate various Am Govts anxious propose these changes[;] most favored them and distinct possibility one or both changes would receive two-thirds majority even if British and French opposed. (Gadel 60 Sept 25).¹ There will undoubtedly be increased pressure within next few months both here and elsewhere send ambassadors Madrid and more countries will unquestionably disregard 1946 Resolution if it is not modified.

Spanish question of course unimportant compared to Berlin issue and we fully recognize all other questions should be subordinated to that during present session. We nevertheless doubt whether all Latin Americans can be persuaded not raise Spanish question. We believe British and French preoccupations as expressed by Bevin and Schuman (Delga 358 Oct 16)¹ would be substantially met if 1946 Resolution were modified without their concurring votes.

View advice previously given other Govts concerning our position we suggest following changes in draft given Delga 338:

Replace para 2 by following language:

"2. If nevertheless Spanish question is actively considered at this session ² efforts should be made to play down discussions to prevent Soviet bloc from utilizing it to embarrass US or Western European countries in connection with more important issues such as Berlin. US Del should take no initiative on Spain."

Para 3. Change "chiefs of diplomatic missions" to "ambassadors and ministers plenipotentiary."

Change end of para 5 to read: "points contained in paras one and

¹ Not printed.

² The Spanish question was not considered at the Paris meetings of the third session of the General Assembly, but was postponed until May 4, 1949, when the First Committee began discussion of this item.

two above." Will be much interested Gadel 427 Oct 20³ in developments LA caucus.

LOVETT

³ Not printed.

852.00/11-1048

The Ambassador in Portugal (MacVeagh) to the Secretary of State

SECRET

LISBON, November 10, 1948.

No. 414

SIR: With reference to my despatch no. 352 of September 21, 1948, and my airgram no. A-319 of September 14, 1948,¹ I have the honor to enclose a memorandum of conversation dated November 2 between Don Juan, Pretender to the throne of Spain, and Mr. Theodore Xanthaky, Attaché of this Embassy and Special Assistant to the Ambassador.

The Department will note that the Pretender spoke to Mr. Xanthaky with apparent frankness concerning his meeting with General Franco at San Sebastian last summer and also concerning recent rumors of an agreement between the Spanish Royalist and Socialist parties. The gist of his remarks would seem to be that he feels his meeting with Franco has been of real use to him, particularly in dispelling certain misconceptions on the part of the Caudillo, and that any understanding between adverse Spanish political groups should be in the public interest.

Respectfully yours,

LINCOLN MACVEAGH

[Enclosure]

Memorandum of Conversation, by Mr. Theodore Xanthaky, Special Assistant to the Ambassador in Portugal

SECRET

[LISBON,] November 2, 1948.

On Saturday, October 30, I met Don Juan, the Spanish Pretender, casually at the Golf Club in Estoril. At that time he told me he had sent for his son, the Prince of Asturias, who was in Switzerland, and that after a few days in Estoril with his family the young man will proceed to Madrid to begin his studies there. (Embassy's airgram No. 365 of November 1, 1948).² I expressed interest and Don Juan

¹ Despatch 352, p. 1050, gave another account of the meeting between Don Juan and General Franco. Airgram A-319 is not printed.

² Not printed.

said he would get in touch with me sometime during the ensuing week to tell me the real story of his interview with Franco, the Spanish Chief of State. Last night Viscount Rocamora, the Pretender's Aide, telephoned making an appointment for me with Don Juan at his home in Estoril today. Don Juan greeted me by saying that his son had arrived from Switzerland the night before and was leaving for Madrid about November 10. He then pitched into the following story of his encounter with Franco.

For some time past, the advisability of a meeting with the Caudillo had been suggested to him, but nothing ever came of it. Early last summer Julio Danvila, a staunch monarchist and a Director of the Bank of Spain, (representing the private shareholders), visited Don Juan in Estoril and told him he had occasion to see Franco quite often and volunteered to arrange a meeting. Don Juan agreed but thought it would go the way of previous similar efforts. Very much to his surprise while in England last July, where he had gone with his friend, Galindez, on the latter's yacht *Saltillo* for the Olympic Games, he received a telegram from Danvila informing that the encounter had been arranged.

At the appointed time and place,³ Franco came on board the *Saltillo*. They talked alone for over three hours. Franco immediately launched into the Pretender's past mistakes. Don Juan countered by saying that he, Franco, had also made plenty of those and the past was the past and they had better talk about the present and the future. Franco took this goodnaturedly and said that perhaps he was right. Franco then assured the Pretender that he had always been and continued to be his candidate for the throne (Don Juan remarked to me that he had not forgotten that Franco last year was considering other names). Franco then brought up the subject of the education of the young Prince of Asturias in Spain. Don Juan replied that he was agreeable to this but that he would have to receive certain commitments before he would consent, such as (1) political amnesty for monarchists at present under arrest; (2) guarantee that monarchists would not be persecuted by the authorities; and (3) freedom of monarchical press activity in the newspaper "ABC". Franco said that he would give consideration to these points and believed there would be no difficulty in this respect. (Don Juan remarked to me that Franco is now in the process of meeting all three *desiderata*.) Don Juan then emphasized to Franco that he wished to make it perfectly clear that by sending his son to Spain he did not renounce any of his rights to the throne. Franco was in entire accord and said that he would allow a statement to this effect to be published in Spain. Don Juan wanted the Caudillo

³ The interview took place on August 25 off the coast of San Sebastian.

to make the statement but the latter hedged and said he thought it would be better if it came from Don Juan. During the conversation, Franco gave Don Juan his impressions on what the monarchy should be like. Don Juan thought these decidedly archaic. For example, Franco talked of Philip II and very much in the vein of an absolute monarchy. The Pretender reminded Franco that he continued firmly to hold ideas on this subject which he had already publicly espoused, i.e. a constitutional monarchy along democratic lines. By that, he said, he did not mean that the political system of another nation should be taken and bodily implanted in Spain; Spanish traditions and temperament would have to be taken into consideration. Don Juan said that never once during the conversation did Franco mention that he intended to turn over the government to him at a given date. As a matter of fact, he said, Franco repeatedly talked in terms of 20-year periods, which he thought significant inasmuch as Franco is 57. As an illustration, Franco mentioned that he expected his economic planning would bear fruit within 20 years, etc. Therefore, Don Juan got no impression that Franco is contemplating relinquishing power voluntarily in the foreseeable future. He stated, however, that in his opinion this initial contact has been useful to him. Among other things he believes he has dispelled from Franco's mind certain misconceptions which he had reason to believe Franco entertained concerning him. Commenting on the Caudillo's political position, he said that Franco could not be overthrown by external pressure and that his internal hold on Spain was very solid. Only a period so distressing economically as to drive the country to desperation could unseat him. Although the economic condition of Spain is far from good, it has not reached the breaking point and Franco could always resort to palliatives at least temporarily to avert such a situation. He said that several times during the conversation, Franco spoke of his friendship for Don Juan's father, Alfonso XIII, with tears in his eyes. Franco was extremely voluble and it had been very difficult for Don Juan to get in his counter arguments. However, he had been rehearsing in his mind for many years exactly what he would say to Franco when they met and he believed that he had gotten over his points. The Pretender said that although there had probably been a predisposition of dislike on both sides, the interview had found both mutually "simpatico". During the conversation Franco always addressed Don Juan as "Alteza" (Highness). Franco complained about the treatment he was getting in the international sphere, to which Don Juan retorted "what could you expect from the victory of the democracies after your attitude toward the Fascist states?" Franco then said he did not believe there would be a war for another two or three years. Don Juan told me that he contradicted and chal-

lenged Franco's statements repeatedly and it has come back to him from Artajo, the Minister for Foreign Affairs, via a mutual friend, that Franco not only did not resent this but apparently was impressed. Don Juan found Franco very hazy on economic subjects and that, though by no means a fool, he was an *hombre primario*.

The Pretender said he has no illusions about Franco. He remarked, however, that up to the time of his interview he was making no progress and he now feels that at least he has "gotten his foot in the door". Don Juan mentioned to me that Alfonso XIII had been best man at Franco's wedding and therefore a few days ago on the occasion of the Caudillo's silver wedding anniversary, he sent him a message of felicitations. Don Juan showed me Franco's handwritten reply which he had just received. It was addressed "Mi Principe" and terminated "con lealtad y afecto" (with loyalty and affection), and stated what a great honor it had been for him and his wife to have received his message and that he owed his happiness to Don Juan's father, Alfonso XIII.

Don Juan then spoke of the recent publicity in connection with a so-called agreement between the monarchists and the socialists. He said that as the monarch he considered it his duty to be above political factions. He believed, however, that any understanding between adverse political groups tending to harmonize differences of opinion would be useful and in the public interest. He said that last year Gil Robles and Saenz Rodriguez⁴ drafted some of the clauses of a document in this sense which was being discussed between the monarchists and the socialists. He said it was more in the nature of a set of political principles rather than an operating agreement between parties and that as he understood it, no signatures were required. In any event he said it was an old story, as Robles had told the British all about it last year. Now the Socialist Leader, Indalecio Prieto, perhaps aided and abetted by an irresponsible monarchist named Ansaldo, who has a house at St. Jean de Luz, had chosen unilaterally to give unwelcome publicity to what was intended to be a confidential matter.

Don Juan also mentioned that when he visited London last November for the royal wedding, King George arranged an interview for him with Bevin at Buckingham Palace. On that occasion he told Bevin that their pin-pricking policy against Franco was *contra producente* and getting him, Don Juan, nowhere. Bevin replied, "Well, we withdrew our Ambassadors from Madrid for you" to which Don Juan replied, "Yes, and that was a great mistake." Don Juan also told Bevin that if he thought they were going to restore the monarchy in order to make the socialist Indalecio Prieto Prime Minister, they were very much mistaken; Prieto would probably be shot if he as much as showed

⁴ Saenz Rodriguez, a leading Spanish Monarchist in exile.

up in Madrid. Bevin laughed and said, "Well, my boy, carry on as best you can. You know that we are for you" and at the same time strongly implied that the British would do nothing practical towards his regaining his throne. Don Juan remarked to me, "I believe, therefore, that the British cannot be too upset by my meeting with Franco." Don Juan then terminated our interview and promised to keep me currently informed as to developments.

711.52/11-1748

The Chargé in Spain (Culbertson) to the Secretary of State

SECRET
No. 661

MADRID, November 17, 1948.

SIR: I have the honor to report that last evening I had one of my occasional longish, all-subject talks at the Foreign Office with José Sebastián de Erice, Director General of Foreign Policy, in which he asked, as he had done before, for suggestions in the field of economic liberalization in Spain. Spain, he said, wants and needs help but she wants it on a basis of a bilateral arrangement with the United States and not under Marshall Plan aid. If Spain could receive such aid as to give solidity to her economic structure, liberalizing action could and would be taken and Spain would be prepared to meet such reasonable conditions as we might be prepared to suggest. Furthermore, and I have never encouraged or left the door open to suggestions of a military character, Erice said that, could some understanding be reached between the two countries, we could, if we so desired, have bases in the Canary and Balearic Islands and facilities on the Spanish mainland. I did not follow up this last suggestion.

Respectfully yours,

PAUL T. CULBERTSON

852.00/11-2348: Telegram

The Chargé in Spain (Culbertson) to the Secretary of State

RESTRICTED

MADRID, November 23, 1948—1 p. m.

751. Embdesp 656, November 17.¹ Press today announced preliminary results November 21 election municipal councillors representing family heads. Falangist panel eight candidates Madrid elected by strong majority. Falange claims over 80 percent councillors elected throughout Spain represent that organization. Reports indicate no disturbances any importance. Voting many districts comparatively

¹ Not printed.

light but preliminary estimate countrywide average of electorate participating 70 percent. General public reaction election results appears apathetic. Press emphasizing complete order and normality of proceedings and good voter turnout as well as victory Falange candidates who represented only organized political force participating. Second stage elections for syndical councillors set for November 28. Despatch follows.²

CULBERTSON

² Not printed.