Allied Relations and Negotiations With Spain

A. From Spanish "Non-Belligerency" to Spanish Neutrality

Shortly after the outbreak of the War in September 1939, Spanish dictator General Francisco Franco released an official decree of neutrality in the conflict, despite his open ideological affinity with the Axis leaders who had provided him with critical support in the Spanish Civil War. Nevertheless, he hovered on the brink of intervention on the side of the Axis through much of 1940 and 1941, and even contributed a force of Spanish volunteers estimated to be as many as 40,000, known as the Blue Division, which served as the German 250th Division on the Russian Front from mid-1941 until October 1943. The possibility of Spanish belligerency was premised on an early German victory over Britain and on German agreement to Spanish territorial expansion in Africa into French Morocco and perhaps even in Europe at the expense its neighbors, Vichy France and neutral Portugal. The United States and Britain joined in a continuing effort to keep Franco's Spain out of the War by providing essential exports like gasoline and grain to prop up the Spanish economy, which had been in a state of collapse since the end of the Spanish Civil War. The close ideological and political ties between the Franco dictatorship and those of Germany and Italy were never misapprehended by the United States and Britain. After 1941 Spain drifted gradually from imminent belligerency toward a demonstratively pro-Axis neutrality. Spain cooperated with the Allies in humanitarian efforts, allowing safe passage through Spain of downed Allied fliers, escaped Allied prisoners, and civilian refugees, including Jews.

The nature of Spain's neutrality in World War II turned in significant measure on Allied and Spanish perceptions of the danger of German invasion. While the Allies had feared a German invasion of Spain and even Portugal through 1942, by the beginning of 1943 these concerns had largely vanished, and by the end of 1943 Spain's leaders made clear their own conviction that the danger of German invasion had passed. The aura of German military invincibility was lost on the battlefields of Russia and the African desert in 1942 and 1943 as well as with the Allied landings in North Africa and the Mediterranean islands. At their wartime conference in Washington in December 1941, President Roosevelt, Prime Minister Churchill, and their military advisers reflected the anxiety that Germany might choose to invade Spain in order to attack and seize Gibraltar. By the time of their next conference in Casablanca in January 1943, they recognized that the tide of war had turned against Germany and the danger of a German invasion of Spain had dissipated. At Casablanca the Allied military leaders were persuaded that Spain had turned away from the Axis and that Germany no longer had the forces to invade it. Indeed, the Allies were prepared, at least on a planning basis, to consider their own invasion of Spain in order to ensure access to the Mediterranean.

1 For a discussion of the terms "Neutral" and "Non-belligerent," please see Note on Neutrality above.

2 The War and the Neutrals, pp. 264-266, 291-293. The April 8, 1998, report of the Spanish Comisión de Investigación de las Transacciones de Oro Procedentes del III Reich durante la II Guerra Mundial stresses the devastation of the Spanish economy after the three years of the Spanish Civil War. By the end of that war, Spain was in debt to Germany for more than $212 million for supplies of war material and other items to the forces of General Franco. The report maintains that liquidation of this debt was the fundamental financial issue between Germany and Franco's Spain during the wartime period. In its Conclusions, the report states that the Third Reich did not make payments to Spanish authorities for Spanish goods during the War, except to pay back earlier debts; the debt was gradually liquidated by payments in goods as well as by other means, such as the Blue Division and Spanish workers sent to work in German factories. In fact, as noted in footnote 8 below, Spain ended the war with a favorable trade balance with Germany.


4 Record of the Meeting of the Combined Chiefs of Staff, January 14, 1943, ibid., p. 539; Record of the Meeting of the Combined Chiefs of Staff, January 15, 1943, Record of the Meeting of the Combined Chiefs of Staff, January 18, 1943, Memorandum of the British Chiefs of Staff, C.C.S. 135/1, "Basic
During the remainder of 1943, U.S. and British military leaders regarded the danger of a German invasion of Spain to have receded even farther. The U.S. Joint Chiefs of Staff went to the Roosevelt-Churchill wartime meeting at Quebec in August 1943 with an appraisal of the weakening German military situation that emphasized the absence of any real ability to take offensive actions in western or southern Europe and the conclusion that the current deployment of the German Army indicated that such action had been discarded for 1943 and "was even less feasible for 1944." The JCS regarded Spain as the only possible site for such a desperate military action, carefully reviewed resources and possible operational difficulties, and concluded that the only reason to undertake it would be to improve chances for a peace settlement with the Allies. En route to the heads of government meetings at Tehran and Cairo in November 1943, the Joint Chiefs prepared another estimate of the German military situation that stressed that Germany’s deteriorating strategic position and the lack of offensive capabilities made German military action in 1944 against the neutral nations totally unlikely, except as an "imperative necessity" to ward off pro-Allied military action originating in Sweden or Turkey or the need to make a diversion in Spain.5

The Allied appraisal of the declining German threat to Spain was mirrored during 1943 by the Spanish Government’s move away from its pro-German non-belligerency to a more clear neutrality. The threat of a German invasion to counter the Allies or punish Spain for turning away from the Axis was never again raised in Allied circles, and no longer appeared to worry the Spanish. When U.S. Ambassador Carlton J. H. Hayes called on Franco in July 1943, he explained that there were three major aspects of Spanish policy that needed to be revised if Spain were to demonstrate real neutrality: Spain would have to announce its neutrality unequivocally, the Falange-controlled organs of government would have to adopt the policy of impartiality already followed by the Foreign Ministry, and the Spanish Blue Division should be withdrawn from the Soviet Union. Franco replied that he could not yet fully renounce non-belligerency but could begin moving toward neutrality:

"Franco said that Spain was in fact neutral. He was determined that Spain would not be involved in the war. Spain intended to be neutral. However the word neutral had a disagreeable connotation. It implied indifference. Spain was not indifferent to the struggle against Communism."6

British Ambassador Hoare subsequently on August 20 also made representations to the Spanish Government about the withdrawal of the Blue Division. By October 1943 Ambassador Hayes was able to inform President Roosevelt that Franco had gone further in embracing neutrality.

"Last Friday [October 2, 1943], the Caudillo gave his annual gala reception in the Oriente Palace to the diplomatic corps and the staffs of the various Spanish ministries, and afterwards made a speech. This year, unlike previous years, he did not receive the 'Party' and did not wear the Falangist uniform. He wore instead a naval uniform—perhaps in confirmation of what he said at La Coruna, last month, to the effect that Spain's future, like her past, was on the sea and toward the Americas. And in the speech he made last Friday, he uttered publicly and solemnly, for the first time, the hitherto tabooed word of 'neutrality' to define Spain's international position. I am sure we shall never again hear of Spain's 'non-belligerency'."7

Strategic Concept for Europe, 1943," January 3, 1943, ibid., pp. 539, 571, 625, and 745. C.C.S. 135/1 included the following appraisal of the German danger to Spain: "Germany will have no forces to spare to invade Spain. Spain is less likely to yield to German pressure if we keep the German forces fully extended by a vigorous offensive in the Mediterranean."


Three weeks later, on October 22, 1943, the Spanish Foreign Minister assured Ambassador Hayes that the Blue Division would be withdrawn on October 25 and thereafter there would be no Spanish soldiers on the Eastern Front.8

B. Spain’s Wartime Trade With the Axis

Spain’s ideological sympathy with the Axis was scarcely concealed, but it was the Spanish economic support for Germany and its war-making capacity that concerned the Allies most immediately and which the Allies sought to reduce and eventually end. Spain provided Germany and the Axis with exports critical to the German war effort.9 A 1947 State Department report determined that Franco had acted “in a most unneutral fashion” for the first four years of the war, providing Nazi Germany with significant amounts of strategic goods, as well as military and intelligence support.10

At the center of the German-Spanish trading relationship was the large commercial conglomerate Sociedad Financiera Industrial (SOFINDUS), formed in 1936 under the name Rowak. Through special bilateral agreements in 1937 and 1939 granting German enterprises “favored economic treatment,”11 SOFINDUS acquired a commercial empire that included ten agricultural subsidiaries, one affiliate organization, significant mining interests, and nine transportation companies. In shipping alone, by 1941 SOFINDUS was operating as many as 53 vessels with a combined capacity of 55,000 tons. SOFINDUS served as the Nazis’ commercial agency in Spain, handling all non-military trade and developing Spain’s nascent mining and agricultural industries, principally to supply the Third Reich with raw materials vital for its economy and war industries.12

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8 Telegram 2330 from Madrid, August 28, 1943, and telegram 3080 from Madrid, October 22, 1943, ibid., pp. 615, 618-619, and 625-626. According to a War Department report based on intercepted cables, decrypted by U.S. authorities and available to U.S. leaders, as early as October 12 Spain had withdrawn all government support from the Blue Division,” which it now regarded as "acting on its own initiative." (“Magic” Diplomatic Summary, October 15, 1943, RG 457, "Magic" Diplomatic Summaries, 1942-1945, Box 7)

9 The development of the German-Spanish relationship is the subject of two postwar studies based on captured German Foreign Office records: memorandum from Bonsal to Ramsey, May 5, 1947, RG 84, Embassy Madrid, Classified General Files (Security-Segregated Records) 1936-1949, Box 122 and despatch 4096 from Madrid, June 30, 1947, ibid. In the latter, the cover letter from the Embassy to State gives an assessment of Franco’s motivations. The report of the Spanish Comisión de Investigación notes that wartime trade between Spain and Germany was a continuation of the economic relationship begun during the Spanish Civil War. The trade was conducted through a clearing agreement in order to avoid payments in foreign currency. Germany supplied Spain with manufactured goods and armaments in exchange for strategic materials such as wolfram, pyrites, and iron, with a final balance (in 1945) in Spain’s favor of $76 million.

10 Despatch 4096 from Madrid, June 30, 1947, ibid. According to intercepted messages decrypted by U.S. authorities and available to U.S. leaders, a key aspect of this intelligence support were spy networks set up in the United States and Britain and operated by the Spanish Embassies in Washington and London. These networks were established and directed by Spanish Foreign Minister Serrano Suñer. Germany provided the funding and equipment (principally short-wave radios) for the network in Britain, which began operating in 1939, and the Japanese apparently sponsored the network in the United States, which seems to have begun operating in 1942. (“Magic” Diplomatic Summary, August 28, 1942, RG 457, "Magic" Diplomatic Summaries, 1942-1945, Box 1)


12 Medlicott, The Economic Blockade, vol. II, pp. 289-290; despatch 1572 from Madrid, January 30, 1946, RG 59, Decimal Files 1945-49, 800.515/1-3046; Clarke, "The Safehaven Project," pp. 176-178, RG 169, Records Assembled by the Historian, Material on the Safehaven Project, 1943-1945, Box 991. According to an intercepted July 3, 1942, cable from the Japanese Ambassador in Madrid to Tokyo, decrypted by U.S. authorities and available to U.S. leaders, Germany had "more than 1,000 people who are employees of semi-official ersatz industry concerns…and…100 staff members of the government-owned railway's publicity bureau and the Society for Cultural Relations" in Spain along with a complement of 182
Spain’s strategic location occupying most of the Iberian peninsula, its borders with Axis-controlled Vichy France, and its trade ties to North Africa and South America made it a principal supply route for the Nazis. In a secret protocol to a 1939 German-Spanish agreement, Spain promised to serve as a "conduit of supplies from South America...via Italy and Yugoslavia." In May 1940 Spain signed a three-year agreement with Italy promising it vital supplies of skins, foodstuffs, and minerals in return for manufactured goods.13 As a result, Spanish exports to Germany through Italy and the Balkans more than doubled during the first two years of the War to 43,857 tons in 1941. When the Nazis occupied southern France in November 1942, the Franco-Spanish frontier soon supplanted the Mediterranean as the principal supply route to Germany, and overall Spanish exports to the Axis rose from 970,000 tons in 1941 to 1.28 million tons in 1942.15

With the opening of the Franco-Spanish frontier in 1942, the composition of Spanish trade with the Axis changed. Before the War, foodstuffs comprised the bulk of Spain's trade with Germany and Italy. By 1942, however, these had declined by a third and were replaced by items more essential to Germany's war industries: minerals and metals. Seventy percent of the metal trade was composed of iron ore and pyrites used in making steel.16 While Germany produced most of its own steel, Spain (along with Sweden) was a principal source of high-grade iron ores.17 Based on Allied estimates, Spain exported more than 2 million tons of these commodities between January 1941 and April 1944, excluding their transport by truck, which the Allies believed was significant. The Axis also acquired zinc, lead, mercury, fluorspar, celestite, mica, and amlygonite from Spain.18

The most critical of Spain's exports to Germany was wolfram. Spain, as Europe's second leading source of wolfram after Portugal, was one of Germany's principal suppliers. Although the Nazis could turn to Northern and Eastern Europe for other raw materials that Spain exported, they were dependent on the Iberian peninsula for most of their wolfram.19 The Allies, in contrast, had easier access to sources in Latin America and the Far East and were not as reliant on the Iberian market. Their objective during the War was to purchase enough of the ore to satisfy Spain's export demands and prevent it from increasing its trade with the enemy.20

Spanish ships were the Axis' principal means of smuggling essential goods from South America. Without a large merchant fleet, the Axis turned to private shippers in the neutral countries, like Spain, to transport goods not available in continental Europe. In response, the Allies established a cargo certification program, known as the "navicert system," for neutral vessels plying the Atlantic between Latin America and...
and the Iberian peninsula. The system regulated the amount of goods each ship carried based on import quotas established in the war-trade negotiations with Spain and made each shipper subject to random searches and seizures. Many shippers submitted to these restrictions to avoid the hazards of blockade-running and to take advantage of British insurance, banking, and fueling facilities. The system proved effective, and by 1942 had stemmed the flow of bulk raw materials and larger items to Axis Europe; however, smaller items, critical to the Axis economy but needed only in small amounts, such as drugs, chemicals, and certain minerals, continued to sneak through. Most of the smuggling was done by individual crew members, passengers, or freight forwarders, preventing the Allies from citing ship owners themselves with navicert violations. A January 1944 analysis of blockade violations found that 62 Spanish ships, "a substantial majority of the Spanish vessels on trans-Atlantic service," were involved in most of these cases.21

Most of the contraband trade involved industrial diamonds and platinum, both in short supply in Axis Europe, but available in Africa and Latin America. Industrial diamonds, used in precision machining, were critical to the armament, aircraft, automotive, and mining industries. As evidence of their value to the Axis, at the height of the trade in 1943, black market prices for diamonds in the Iberian peninsula were 20 to 30 times the commercial rate, and the U.S. Embassy in Madrid reported that supplies of between "200 to 1000 carats per week" were available on the Spanish black market. Platinum was used in electrical contacts, heat elements, electrodes, and x-ray and radio tubes, and was an important catalyst in a host of chemical processes including the making of nitrates and sulfuric acid. Black market prices on the Iberian peninsula at the height of the trade in 1943 were 11 times the commercial rate.22

C. Allied Efforts To Limit Spain’s Trade With Germany

Allied wartime trade objectives in Spain were threefold: to procure certain vital goods that they could not easily obtain elsewhere; to limit as much as possible the export of certain strategic goods needed by the Axis, either through Spain’s acceptance of export limits or Allied purchases of its exportable surpluses, known as preclusive buying; and to wean Spain from its dependence on German supplies of coals, armaments, fertilizers, chemicals and manufactured items by making Allied supplies more economically attractive. To further this policy, in March 1940 Britain signed a series of agreements with Spain promising it certain quantities of petroleum, rubber, ammonium and copper sulphate, and food products, in exchange for British purchases of iron ore and other minerals and citrus fruits. Britain loaned the Spanish 2 million pounds ($8 million) to make its purchases and set up a clearing agreement with credits based on pre-Spanish Civil War debts to Britain. Spain, in turn, promised to limit its exports to the Axis of copper alloys, cotton, oilseeds, tin, and wool. The trade program was set to last six months but was continually renewed throughout the War, although with changes in amounts and quotas. In December 1941, Britain granted Spain additional credits of 2.5 million pounds ($10 million). Pro-Axis members of Franco's government attempted to delay implementation of the agreements but were ultimately rebuffed. In addition to these agreements, in July 1940, Portuguese Premier Salazar concluded a trade agreement between his country and Spain which, by assuring that certain key goods would be traded between them and not with the Axis, indirectly aided the Allies. The agreement was renewed and extended in September 1942 and February 1943.23

By May 1943, in response to the growing contraband trade reaching Germany through Spanish and Portuguese ports, the United States established a comprehensive preclusive buying program in Latin America, stepped up intelligence activities, and began to search most ships bound for Iberia. To allow time to establish the infrastructure needed for these efforts and to apply pressure on Spain and Portugal to increase their enforcement efforts, the United States recommended a temporary halt in all navicerted trade. Britain, fearing the halt in traffic would jeopardize its trade with the neutrals and ongoing negotiations with


Portugal over access to the strategic Azores, pushed for a more moderate program, and in January 1944 the
two sides agreed to search a quarter of all Spanish ships returning from Latin America at new facilities in
Gibraltar. While Spain did not complain openly about the additional diversions, it made no effort to control
its black market. In the first month of the program, five of the six ships searched were found to contain
smuggled items. Even before the Gibraltar diversions began, however, the Allied efforts began having
some effect.24

D. Allied Competition With Germany for Spain’s Wolfram, 1941-1942

Allied estimates of Germany’s wolfram requirements were based on their knowledge of pre-war
German industry and tungsten stockpiling; captured enemy documents, machinery, and artilllry; limited
military intelligence; and comparisons to their own wolfram consumption.25 At the height of the trade in
July 1943, the British estimated that Germany needed a minimum of 5,800 metric tons of wolfram
annually, while the Americans placed that figure at 3,590 tons. The different estimates arose from differing
analyses of German machine tooling and artillery requirements.26 By February 1944 the United States and
Britain agreed that Germany’s minimum annual requirement was about 3,500 tons, with any additional
procurement going to armor-piercing shells.27 Both Allies concurred that wolfram was most critical to the
German machine-tool industry, and predicted that if Germany was deprived of wolfram, its machine-tool
industry would virtually shut down within three months,28 thereby shortening the War or severely
impacting Germany’s capacity to continue to pursue the War.

In contrast to Portugal, which by 1941 began to carefully regulate the wolfram trade, Spain
permitted a free market in the ore throughout the War, and the Allies’ greater access to hard currency gave
them a significant advantage in the competition with Germany for Spanish wolfram.29 Before 1941,
however, Germany had most of the advantages because it had begun developing Spanish wolfram sources
at the end of the Spanish Civil War. To circumvent prohibitions against direct foreign ownership of
Spanish businesses, Germany created a network of Spanish front corporations, mostly owned by
SOFINDUS, and by 1941 controlled the highest producing mine, as well as an extensive network of
companies to buy wolfram from independent producers and transport the ore to the Axis. Germany
acquired almost all the 700-1,000 tons of wolfram that Spain produced in 1941, while Britain, which first
began preclusive buying in Spain in late 1941, purchased only 32 tons. Augmenting the direct exports to
Germany were 150 tons promised annually to Italy under its 1940 agreement with Spain.30

24 “History of Blockade Division, Enforcement Section,” December 15, 1944, and “Blockade,
Bargains and Bluff: Allied Economic Warfare in the European Neutrals,” undated, circa spring 1945, both
RG 169, Office of the Administrator, Records Analysis Division, Historical Monographs Prepared Outside
the Division, Box 1; Medlicott, The Economic Blockade, vol. II, pp. 435-445. According to an intercepted
German cable of December 1943 from Berlin to Buenos Aires, decrypted by U.S. officials and available to
U.S. leaders, Germany advised that, “because of the apparent compromising of our methods [and] losses
that have occurred… and in consideration of neutral Spain, we consider it imperative to discontinue
[smuggling] for the time being.” (”Magic” Diplomatic Summary, December 25, 1943, RG 457, ”Magic”
Diplomatic Summaries, 1942-1945, Box 8)

169, Office of the Administrator, Records Analysis Division, Historical Monographs Prepared Outside the
Division, Box 5.

26 ”Tungsten Position of the European Axis,” July 3, 1943, ibid., Research Reports and Studies,
Box 11.

27 ”Raw Materials Position of Enemy Europe,” February 14, 1944, ibid., Box 2. For a detailed
explanation of the U.S. and British differences, see the chapter on Portugal above.

28 ”Ferro-Alloys and Their Effect on Steel in the German War Economy, 1943 and 1944,” June
1944, ibid., Box 13.

29 ”Preclusive Operations in the Neutral Countries in World War II,” March 20, 1947, pp. 56, 127-
129, ibid., Historical Monographs Prepared Outside the Division, Box 5.

30 ”Preclusive Operations in the Neutral Countries in World War II,” March 20, 1947, pp. 88, 165-
169, 176, 183, ibid. One source indicates that Spain exported to Italy 344 tons in 1940 and 104 tons in
1941, ”Spanish Foreign Trade,” October 14, 1943, RG 165. Records of the Military Intelligence Division,
Regional Files 1822-44, Spain, Box 2923. According to the Spanish Comisión de Investigación report, in
In early 1942 Britain and the United States began a concerted preclusive buying program. The rising competition with Germany increased wolfram production in Spain to nearly 2,000 tons by the end of the year and prices from about $75 per ton before the War to $16,800. In June the Spanish Government set a minimum price of $16,380 per ton, which included a $4,546 export tax. To compete more effectively with Germany, the Allies set up their own dummy corporation in October 1942 to purchase independent ore as well as a few strategically placed mines, and were able to acquire most of the new production, purchasing almost 1,000 tons during the year. German purchases remained at 1,000 tons for 1942.

In December 1942, under German pressure for more explicit trade quotas than were included in the 1939 agreement, Spain signed a secret accord with Germany. Spain pledged to deliver fixed quantities of strategic Spanish commodities, including wolfram, in exchange for German coal, armaments, fertilizers, chemicals, and manufactured items. In addition, Spain granted Germany credits of 552.5 million pesetas ($50.2 million) for purchases. The agreement, however, soon collapsed, with both sides blaming the other for failing to make deliveries. Also in December Spain increased its minimum price of wolfram to about $20,500 per ton and allowed the Allies to exchange dollars and sterling for pesetas, giving them the means to purchase wolfram at a time when Germany's peseta holdings were running low.

During 1942 Germany also increased its efforts to acquire wolfram illegally. To build a base for smuggling ore between Portugal and Spain, Germany began purchasing small mines on both sides of the border. Most of the illegal traffic went from Portugal, which had generally cheaper prices, into Spain, which bordered on Axis territory. The Allies estimated that the Germans smuggled almost 50 tons over the border per month by early 1943. In order further to limit this German supply of wolfram, the Allies bought a significant amount of wolfram on the Spanish black market.

E. The Spanish-German Secret Trade Agreement and the Allied Oil Embargo, 1943-1944

In February 1943 Germany and Spain concluded a secret agreement in which Germany promised to sell Spain armaments in exchange for renewing the December 1942 trade agreement, which had recently collapsed. During the negotiations, Germany demanded a 400 percent markup on the weapons; Spain demanded the weapons at cost, to which Germany, desperate for wolfram as well as pesetas to pay for the wolfram purchased in 1942, agreed. The German Commercial Attaché noted in an interrogation after the War that relations between the two countries at this time were "strained and difficult." By August the two sides reached an agreement in which Germany pledged sales to Spain of up to 216 million Reichsmarks in armaments without a markup, and Spain agreed to pay back its Spanish Civil War debt to Germany in four installments, which the Germans would use to purchase wolfram outside of the Spanish-German clearing

1941 Germany bought $684,000 worth of wolfram, Italy $221,000 worth, the United States none, and Britain $55,000 worth.

agreement. Germany also agreed to pay Spain 300 pesetas per kilogram of wolfram, 100 pesetas more than the Allies. The first installment of 425 million pesetas (about $38.6 million) was placed at Germany's disposal in December 1943. By January 1944 Germany had already purchased over 300 tons of wolfram. For all of 1943, the Allies estimated that Germany procured between 1,185 and 1,192 tons of wolfram from Spain, about 34-35 percent of its annual estimated requirement. The Allies increased their take to 3,335 tons.

In November 1943, after learning of the agreements, U.S. Ambassador to Spain Carlton Hayes asked the Spanish Government to embargo further wolfram sales to the Nazis while the Allies and Spain negotiated a wolfram accord, some form of compensation for Spain's lost revenue, and possible increases in Allied supplies. On January 14, 1944, Spanish Minister for Industry and Commerce Carceller defended Spain's agreements with Germany, noting that Spain "felt it impossible to deny completely to Germany a commodity which they wanted so badly and which...had a very high value in wartime." Two weeks later British Ambassador to Spain Sir Samuel Hoare met with Franco to persuade him to suspend wolfram sales to Germany. The United States and Britain had agreed prior to the meeting to use the threat of an oil embargo if Spain did not cooperate. Both had been reluctant to use such a threat for fear of driving Franco back to Hitler, the British being the most vociferous in the opposition. But now both were prepared to consider it. Hoare asked Franco to reconsider the November 1943 U.S. request for a complete embargo on trade with Germany and handed him an Aide-Mémoire that noted: If the Spanish Government "pends in giving, intentionally or unintentionally, unneutral assistance to the enemy, long after it is possible for them to plead the excuse of force majeure...[the Allies] will not be able...to maintain their present policy towards Spain." Franco did not respond directly but indicated that Spain did not intend to let Germany "purchase large stocks of wolfram rapidly."

In January 1944 the Allies, after debating the issue of an oil embargo over many months, finally halted the shipment of oil to Spain. It was a move supported by the U.S. and British public and political and military leaders. Curbing Spain's mounting wolfram exports to Germany was not the sole objective of the embargo; the Allies were distressed by the continued presence in Russia of the Spanish Blue Division, espionage activities along the Spanish coast, and the pro-Axis press. The embargo stretched into April

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37 Report 68500, May 12, 1944, RG 165, Records of the Military Intelligence Division, Regional Files 1922-44, Spain, Box 2923.
38 "Magic" Diplomatic Summary, August 17, 1944, RG 457, "Magic" Diplomatic Summaries, 1942-1945, Box 12; "Iberian Exports of Minerals and Metals to Axis Europe - 1943," January 12, 1944, RG 165, Records of the Military Intelligence Division, Regional Files 1942-44, Portugal, Box 2845. In contrast, a later British report listed a possible 1,714 tons for 1943, but described 589 tons of this as "unconfirmed." (Report 68500, May 12, 1944, ibid., Spain, Box 2923)
39 The War and the Neutrals, p. 92. According to the Spanish Comisión de Investigación report, Germany bought $8.6 million worth of Spanish wolfram in 1943; the United States and Britain together bought $39.3 million worth.
40 "Wolfram and the War," February 4, 1944, RG 165, Records of the Military Intelligence Division, Regional Files 1922-44, Spain, Box 2845; despatch 1964, January 31, 1944, RG 84, Embassy Madrid, Classified General Records 1940-45, Box 36; paraphrase of cable 3302 from Madrid, November 11, 1943, RG 165, Records of the Military Intelligence Division, Regional Files 1922-44, Spain, Box 2922; Medlicott, The Economic Blockade, vol. II, pp. 561-566.
41 Ibid.
43 The imposition of the oil embargo is described by the principal Assistant Secretary of State involved in Acheson, Present at the Creation, pp. 53-55; and by Secretary of State Hull in Hull, Memoirs,
1944, while Spain and the Allies met intermittently. Britain favored a compromise that would allow Spain to resume wolfram exports to Germany at the 1943 level of 720 tons per year, but the United States continued to demand a complete ban. The Allies began unlimited purchases of the ore, but by April began to run low on pesetas, and Spanish banks refused to grant them credit. On May 2 Spain finally agreed to limit its wolfram exports to Germany to 580 tons for the year -- 300 tons already delivered in January, 40 tons up through June, and 240 through December -- and the Allies agreed to resume oil shipments. The British believed it was their efforts at compromise that forged the deal. Secretary of State Cordell Hull, however, in a cable to Ambassador Hayes, wrote: "Because of our insistent position we have whittled down the Spanish in spite of an absence of wholehearted British support. Had we had full British support I am convinced we could have obtained our objective." The former German Commercial Attaché in Madrid noted that while the May 1944 agreement was a "bad blow" to Germany, "considerable quantities of Spanish wolfram reached Germany up to August 1944," when the Franco-Spanish border closed. A War Department report of August, based on decrypted cable traffic between SOFINDUS and Berlin, indicated that Germany obtained at least 865.6 tons of wolfram through July, almost 286 tons more than called for under the May agreement for the entire year. In addition, as late as June, Germany had plans in place to smuggle an additional 1,200 tons that were either in stockpiles or on order. (German firms sold most of this wolfram to Spanish companies which shipped it to France and then resold it to Germany.) Spain's exports to Germany ended with the closing of the Franco-Spanish border in August 1944.

F. The Safehaven Program in Spain

Allied efforts to identify and control German external assets and gold in Spain began in spring 1944 with the U.S.-initiated Safehaven program aimed at thwarting the efforts of Germany to move assets abroad to the neutrals to serve as the basis for a Nazi resurgence in the wake of its increasingly certain defeat in the War. The Safehaven program was led by the Foreign Economic Administration (FEA) and involved the Departments of State and Treasury and the Office of Strategic Services (OSS). A fact-finding team led by Samuel Klaus of the FEA and including Herbert Cummings for the State Department made a lengthy inspection trip to Europe in late summer and fall 1944.

In his report on the trip, Klaus described the situation in Spain as "the most discouraging as well as the most difficult" of all the neutrals. Klaus reported that the U.S. Embassy and Ambassador Carlton Hayes had shown no willingness to cooperate in the program. The Embassy in Madrid argued that it had kept Washington adequately apprised of all Axis activities in Spain and would not begin any investigations "outside of the normal peace time methods of official diplomatic missions" unless the agencies engaged in Safehaven indicated what they intended to do with the evidence uncovered. Klaus also reported that Embassy officials had obstructed his investigations even though Spain was "beyond question the country in which the most damaging Safe Haven activities" were occurring.

Klaus' complaints about the uncooperativeness of the Embassy in Madrid echoed the experience of the OSS in Spain. OSS operatives in Spain, who usually had the "cover" of Embassy assignments, claimed

47 An intercepted July 1944 cable, decrypted by U.S. authorities and available to U.S. leaders, noted that SOFINDUS was consulting with Foreign Minister Jordana in these operations, and had "the full support" of Minister of Industry and Commerce Carceller, Air Minister Vigon, Finance Minister Bengumea, and "even higher authorities." ("Magic" Diplomatic Summary, No. 875, August 17, 1944, RG 457, "Magic" Diplomatic Summaries, 1942-1945, Box 12) The Spanish Comisión de Investigación report indicates that Germany bought $11.9 million worth of Spanish wolfram in 1944, the United States bought none, and Britain bought $22.4 million worth. 
49 Memorandum from Klaus to Currie, Coe, and Cox, October 21, 1944, Franklin D. Roosevelt Library, Cox Papers, Lend Lease File, Box 104.
their intelligence efforts were being "hampered" by Embassy personnel who routinely informed the Spanish Government about their activities. By November 1943 Ambassador Hayes had convinced the State Department that all OSS operatives in Spain should report directly to him, arguing that "espionage against a 'friendly' country [was] 'un-American.'" As a result, the OSS was forced to use "free agents under private rather than State cover." Klaus' report also noted that because of the Embassy's limitations on OSS activities, its intelligence could not be relied on.50

Ambassador Hayes, in his own report on Klaus' mission, detailed the Embassy's efforts to cooperate with the Klaus team, but acknowledged that "uncomfortable personal antagonisms" arose during the visit. Hayes confirmed his misgivings over Safehaven objectives, repeating that the Embassy had already provided Washington with most of the information the team sought and that he needed to know "the degree of detail which Washington required and an indication of what practical action might be taken after...[the] data were assembled," before he began a concerted investigation.51

Despite the Embassy and Ambassador's lack of cooperation, Klaus was able to make some analysis of the situation in Spain. He noted that the governmental Instituto Español de Moneda Extranjera (Foreign Exchange Institute) "allegedly" coordinated all commercial transactions and that "Germans need only to make personal deals with their friends" there to bypass regulations. Germans had similar access to the Instituto Nacional de Industria, which sponsored "enterprises deemed to be in the public interest." With this access, Klaus believed Germans could easily cloak their assets in Spanish enterprises, and he cited several examples. He also believed that the Nazis were using Tangier as a conduit to move their assets from Spain and Portugal to Argentina, noting that many holding companies were being established there and that the Spanish Government and citizens were buying local properties.52

**G. First Allied Approaches to Spain, 1944-1945**

In October and November 1944 the Allies made their first formal approaches to Spain requesting the cessation of all gold transactions involving enemy interests and implementation of measures to control Axis gold and assets embodied in the Allies' February 1944 Gold Declaration and Resolution VI of the July 1944 Bretton Woods Conference.53 After several months without a response, in January 1945 the United States and Britain began discussing how to follow up. The Treasury Department and the FEA advocated linking the Safehaven negotiations with upcoming talks on renewing the Allied-Spanish Supply Purchase Agreement, which had expired in December 1944. Because Allied military advances had cut Spain off from Germany and Spain had only the Allies to turn to for vital supplies, the two agencies argued that the United States and Britain were in a strong position to obtain Spanish concessions on Safehaven and set some precedents for negotiations with the other neutrals. Some officials in the State Department supported this linkage, but others in Washington and the Embassies were concerned about pushing such a hard line with the Spanish.54

The British also argued that Safehaven was a political issue and should be separate from the economic negotiations to renew the Allied-Spanish Supply Purchase Agreement. The United Kingdom was also concerned that Spain would reject the Safehaven demands, sacrificing a trade agreement and depriving the British of needed supplies from the Iberian Peninsula. The debate continued through the spring of 1945, but with Britain and some in the State Department opposed to linkage, the Allies decided to approach Spain on Safehaven separately from the trade agreement negotiations, but using Treasury and FEA's "hard core' demands."55

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50 *OSS War Report*, vol. II, pp. 33-34; memorandum from Klaus to Currie, Coe, and Cox, October 21, 1944, Franklin D. Roosevelt Library, Cox Papers, Lend Lease File, Box 104.
51 Despatch 3163 from Madrid, RG 59, Decimal Files 1940-45, 800.515/5-3044.
52 Memorandum from Klaus to Currie, Coe, and Cox, October 21, 1944, Franklin D. Roosevelt Library, Cox Papers, Lend Lease File, Box 104.
53 Memorandum from Schmidt to Rubin, July 8, 1946, RG 131, Foreign Funds Control, Subject Files, Box 389.
54 Letter from Crowley to Stettinius, January 17, 1945, ibid., Box 390; memorandum from Fleischer to Feig, January 25, 1945, ibid.; memorandum for files, January 30, 1945, ibid., Box 382.
55 Chronology of Safehaven Developments, March 25, 1945, ibid., Box 388; memorandum to files, March 13, 1945, ibid.; memorandum to files, March 9, 1945, ibid., Box 383; FFC Monthly Report, May 1945, ibid., Box 256. The quote is from the FFC Monthly Report, April 1945, ibid.
On May 1, 1945, the Allies presented a note to Spain, demanding that it publicly declare adherence to the February 1944 Gold Declaration and Bretton Woods Resolution VI, immediately freeze and conduct a detailed census of all Axis assets, immobilize and facilitate the return of loot, provide the Allies with all available information concerning Axis nationals in Spain, and establish effective controls on all transactions involving Axis entities. Four days later, with V-E Day approaching and under mounting pressure from the Allies, Spain issued a Decree Law implementing measures to freeze and immobilize all assets with Axis interests. The law was ratified by the Spanish Government in July.  

**H. Early Allied Efforts To Control German Assets in Spain**

After the German surrender on May 7, 1945, Spain consented to the creation of an Anglo-American Trusteehip to take control of German State and quasi-official properties, such as Legation buildings, shipping lines, and the Nazi party offices; appoint overseers for "quasi-official enterprises," such as SOFINDUS, I.G. Farben Group, Osram, Siemens, Roechling and Bosch; and advise Spain's Economics Ministry on identifying and liquidating private assets. The Trusteehip was composed of three representatives each from the United States and Britain. In August a special arrangement was made with France, which did not yet have diplomatic relations with Spain, to allow three French members to join. Most of the day-to-day negotiations through 1945 and early 1946 over German assets and gold were handled through the Trusteehip in close cooperation with each government's Embassy in Madrid.  

Problems between the Trusteehip and the Spanish authorities arose almost immediately. By January 1946 the State Department was reporting that, "Implementation of the [May 1945] decree has not been altogether satisfactory… the census proved to be a complete farce." A July 1946 Foreign Funds Control (FFC) report noted that "archives,…automobiles, office equipment, cameras, and the like" had been removed, and the Spanish had not cooperated in recovering them. Cash in the amount of 53 million pesetas (about $3.2 million), as well as about 1 ton in gold coins (about $1.13 million), were stolen from these properties and ultimately "acquired by the Spanish Ministry of Foreign Affairs." By the time of the July report, the Ministry had turned over to the Trustees the coins, miscellaneous gold taken from the German Embassy and Abwehr Office, and 20 million pesetas ($1.8 million), holding the rest as collateral until agreement could be reached on resolving German wartime debts to Spain and the total value of the German assets could be determined. The report also noted that in December 1945 the Trustees had delivered the coins and gold to the Office of the Military Government of Germany (OMGUS). A later report indicated that the total gold recovered from German offices totaled 1.15 tons (about $1.3 million).  

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56 FFC Monthly Report, May 1945, ibid; memorandum from Schmidt to Rubin, July 8, 1946, ibid., Box 389. A draft of the note is available in telegram 3158 to London, April 22, 1945, RG 59, Decimal Files 1945-49, 800.515/4-2245.  
57 Post to Surrey, January 10, 1946, ibid., 800.515/1-1046; Report, "Safehaven Program in Spain," attached to Schmidt to Rubin, July 1, 1946, RG 131, Foreign Funds Control, Box 389. Composition of the Trusteehip is from the minutes of a Trusteehip meeting in Madrid on May 8, 1946, in RG 59, no document number.  
58 Post to Surrey, January 10, 1946, RG 59, Decimal Files 1945-49, 800.515/1-1046.  
59 In August 1946 the peseta was devalued. Throughout the 14 years of negotiations, the peseta was devalued twice by very substantial amounts. The conversions in this report reflect the official rates in force at the time of the events.  
60 Report, "Safehaven Program in Spain," attached to Schmidt to Rubin, July 1, 1946, RG 131, Foreign Funds Control, Subject Files, Box 389.  
61 Despatch 2871 from Lisbon, September 23, 1946, RG 59, Decimal Files 1945-49, 800.515/9-2346. In October 1952 the State Department reported that it had inspected and delivered 322 miscellaneous gold pieces and 21 gold bars weighing about 20 kilograms seized from the German Embassy in Madrid after the war to the Federal Reserve Bank in New York to hold for the Tripartite Gold Commission account. This gold had been held at the Treasury Department. The documentation does not make clear whether these gold coins were part of the 1 ton of gold coins delivered to OMGUS in December 1945, nor whether Spain turned over to the Trusteehip the remaining 33 million pesetas taken from official German buildings. (Friend et al. (State) to Smith (Treasury), October 13, 1952, and airgram A-497 from Brussels, May 1952, RG 56, Acc. 69A-7584, Records of the Office of the Assistant Secretary for International Affairs (OASIA), Box 4)
Identification of private assets was also difficult. Many Spanish businesses kept "two sets of books," a fictitious one that often masked outside investment, including German, and an accurate one. Spain used the former to conduct its census of these firms and "invariably" reported that German interests were "minor." When the Trusteeship investigated the same firms it usually found significant German ownership. Furthermore, the Decree Law allowed many firms to cloak their German ties through transfers and sales of shares and property. The problem was so widespread that in April 1946 the Allies persuaded Spain to amend the law to prevent these practices.

By July 1946 the Trusteeship had taken control of 278 million pesetas ($25.3 million) out of an estimated 1,045 million pesetas ($95 million) of German assets in Spain. These figures excluded the Trusteeship’s acquisition of miscellaneous foreign currencies "valued at several hundred thousand dollars." An internal State Department memorandum broke down these assets into the following categories:

<table>
<thead>
<tr>
<th>Total assets (estimates):</th>
</tr>
</thead>
<tbody>
<tr>
<td>Official: 165 million pesetas ($15 million)</td>
</tr>
<tr>
<td>Parastatal: 385 million pesetas ($35 million)</td>
</tr>
<tr>
<td>Private: 495 million pesetas ($45 million) (This includes assets of Germans resident in Spain.)</td>
</tr>
<tr>
<td>Total: 1,045 million pesetas ($95 million)</td>
</tr>
<tr>
<td>Assets under Trusteeship control as of July 1946:</td>
</tr>
<tr>
<td>Official: 47.3 million pesetas ($4.3 million, including $1.3 million in gold found in German State offices)</td>
</tr>
<tr>
<td>Parastatal: 231 million pesetas ($21 million, of which $20 million, or 220 million pesetas, represented SOFINDUS properties)</td>
</tr>
<tr>
<td>Total: 278.3 million ($25.3 million)</td>
</tr>
</tbody>
</table>

### I. Estimates of German Looted Gold Acquired by Spain

The Allies based their estimates of Spain’s wartime gold acquisitions on intelligence, captured German Reichsbank records, statements by Swiss banking officials, and records seized from the offices of the quasi-official corporations SOFINDUS and Transportes Marion. An August 1946 State Department report, using Trusteeship calculations, conservatively estimated that Spain acquired at least 122.852 tons of gold ($138.2 million) between February 1942 and May 1945: 11 tons directly from Germany and German-occupied territories, 74 tons from the German account at the Swiss National Bank, and 37.852 tons directly from the Swiss National Bank, which the Allies believed included some loot. The report concluded that of this total, an estimated 72 percent of the gold Germany sold during this period was looted and that Spain was therefore liable to return that percentage of the total, or 87.7 tons ($98.7 million). Published figures showed that "Spanish domestic gold holdings" increased from $42 million in 1941 to $110 million in 1945, an increase of more than 60 tons of gold. The report noted that evidence for the estimate of 85 tons of gold acquired from Germany and the German account at the Swiss National Bank was gathered from truck drivers’ statements, statements of German officials in Spain and Germany, and records of Rowak, SOFINDUS, and Transportes Marion. This gold went to the German Embassy, Abwehr office, SOFINDUS, Banco Aleman Transatlantico, and Banco Germanico (all German-controlled institutions), and the Bank of Spain.

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62 Post to Surrey, January 10, 1946, RG 59, Decimal Files 1945-49, 800.515/1-1046.
63 Report, "Safehaven Program in Spain," attached to Schmidt to Rubin, July 1, 1946, RG 131, Foreign Funds Control, Subject Files, Box 389.
64 This information is from a memorandum from Post to Surrey, July 11, 1946, whose figures were entirely in U.S. dollars. The dollars were converted to pesetas at an exchange rate of 11 pesetas to one dollar. (RG 59, Decimal Files 1945-49, 800.515/7-1146) By July 1947 Seymour Rubin, who headed the U.S. delegation in the first phase of Allied-Spanish negotiations over restitution of gold and allocation of liquidated German external assets, estimated total German assets, private and official, at $90 million; Department of State Bulletin, July 27, 1947, p. 155.
65 According to the report of the Spanish Comisión de Investigación of April 8, 1998, Spanish gold holdings increased from $49 million to $124.3 million between 1940 and 1945.
66 The report entitled, "Preliminary Draft: Memorandum on Gold Acquisitions by Spain During the War," August 6, 1946, was prepared by Otto Fletcher, RG 59, Records of the Legal Adviser, Records Relating to German Assets, 1942-1959, Box 18.
As evidence that these estimates were conservative, the report cited separate reports of Spanish gold acquisitions, such as a War Department report that as much as 203 tons of German gold had been trucked from Switzerland to the Foreign Exchange Institute between January 1942 and February 1944 alone, and a German diplomatic report found in June 1946 that SOFINDUS had acquired 83.2 tons in gold bars from Switzerland in 1943.67 Postwar records of the Strategic Services Unit, the successor to the OSS, include reports about the trucking of gold from Switzerland to Spain, which became a necessity by the end of 1942 because Germany could not pay for Spanish goods in any other manner.68

J. Initial Negotiations on the Restitution of Looted Gold, 1946-1947

The United States, Britain, and France assumed responsibility for negotiating with wartime neutral states regarding the restitution of monetary gold looted by Germany and the distribution as reparations of the proceeds from liquidated German external assets. Unlike the comparable Allied-Swiss and Allied-Swedish negotiations held in Washington from March to July 1946, the negotiations with Spain were conducted in Madrid beginning in November, generally in tandem with the similar Allied-Portuguese negotiations in Lisbon. Seymour Rubin, a member of the U.S. delegation at the Allied-Swiss talks and head of the U.S. delegation at the Allied-Swedish talks and the negotiations in Lisbon as well, also took a hand in directing the early phases of the Madrid negotiations.69


According to the report of the Spanish Comisión de Investigación of April 8, 1998, Spain acquired a total of 67.4 tons of gold ($75.8 million) through the Foreign Exchange Institute. Of this amount, 38.6 tons ($43.4 million) were bought from the Swiss National Bank, 14.9 tons from the Bank of England, 9.1 tons from the Bank of Portugal, .8 tons from the Bank for International Settlements, 2.5 tons from the Banco Aleman Transatlantico, 1.4 tons from the Banco Exterior de España. All the gold was in ingots of diverse origins; 56.9 tons of the gold were stored in the vaults of the Bank of Spain in Madrid, and 10.5 tons were deposited outside of Spain. The report asserts that during the War, the Foreign Exchange Institute made three purchases of gold directly from German institutions: the 2.5 tons from Banco Aleman Transatlantico in 1942, the 1.4 tons from the Banco Exterior de España in April 1944, and 3.4 tons of gold coins brought into Spain in July-August 1944 by SOFINDUS and sold to the Foreign Exchange Institute, for a total of 7.3 tons ($8.2 million). German gold also entered Spain through the diplomatic pouch for the German Embassy (1.5 tons) and was smuggled in to finance the activities of SOFINDUS to purchase wolfram and other strategic minerals (12.8-16.1 tons). In no case were these official certified purchases of gold by the Foreign Exchange Institute.

67 "Preliminary Draft: Memorandum on Gold Acquisitions by Spain During the War," August 6, 1946, by Otto Fletcher, RG 59, Records of the Legal Adviser, Records Relating to German Assets, 1942-1959, Box 18. The War Department reports have not been found. The SOFINDUS acquisitions were reported in telegram 1032 from Madrid, June 8, 1946, RG 59, Decimal Files 1945-49, 800.515/6-846. The report does not indicate the origin of the gold SOFINDUS acquired from Switzerland.

68 Swiss Station Report, RG 226, Job 94-00153R; message 2325 from Switzerland to Washington, April 13, 1946, ibid., Job 75-000339.

69 Rubin attended both negotiations and participated in the opening negotiations with Spain in November 1946. Most of the day-to-day negotiations were handled by the U.S. Embassy in Madrid. See especially telegram 874 from Lisbon, October 3, 1946, RG 59, Decimal Files 1945-49, 800.515/10-346; telegram 1594 from Madrid, November 4, 1946, 800.515/11-446; telegram 969 from Lisbon, November 6, 1946, 800.515/11-646; telegram 998 from Lisbon, November 18, 1946, 800.515/11-1846; and telegram 969 from Lisbon, December 11, 1946, 800.515/12-1146.
In September 1946 the Allies presented their first note to Spain requesting a full accounting of its wartime acquisitions of gold, as well as evidence demonstrating the final destination of gold shipped to Spain and the portion of the total that was looted. In October Spain indicated it was "perfectly ready" to provide the Allies with this information and deliver any gold identified as looted. In return, Spain asked for Allied assistance in locating Spanish gold looted during the Spanish Civil War and requested that some Spanish vessels delivered to the Allies after the War be considered as payment for whatever gold Spain ultimately turned over to the Allies and the Tripartite Gold Commission.70 The Allies maintained that these requests would be considered after Spain provided documentation on its gold transactions with the Axis.71

In December 1947 Spain finally allowed two U.S. officials to review the gold transaction records of the Foreign Exchange Institute. By the end of January 1948, the investigators determined that the Institute had acquired about 26.8 tons of looted gold (about $30.3 million) from the Swiss National Bank, Bank of Portugal, and Banco Aleman Transatlantico, a German institution. Of this amount, they found 8 bars weighing about 101.6 kilograms ($114,329) that had not been re-smelted and could be traced directly to the Netherlands. This gold had been purchased from Banco Aleman Transatlantico. According to the Allied negotiators, "although many of the bars…are readily identified as of looted origin, Spain cannot be held responsible [for their restitution] under Resolution VI of Bretton Woods by reason of the fact that the liability for restitution rests upon the initial purchaser."72 In accordance with this interpretation, the negotiators asked Spain to return only the eight Dutch bars.73

The Foreign Exchange Institute’s records did not account for about 2.6 tons of gold ($2.9 million) purchased directly from Germany. In a memorandum to the Director of the Institute on January 19, the Allies noted they had captured German cables showing that SOFINDUS transported the gold to Spain from

71 Telegram 869 from Madrid, December 12, 1947, ibid., Acc. 70A-6232, Box 22.
72 Despatch 5 from Madrid, January 2, 1948, RG 56, Acc. 66A-816, Special Subject Files, Box 2; "Draft of Sections of the History of Activities in Which the Treasury Department Participated….," January 29, 1952, by Robert J. Schwartz, pp. 26-27, ibid., Box 1. The amount of looted gold is taken from the latter source. Resolution VI, which did not address the issues of liability or restitution, asked only that the neutral countries, "uncover, segregate and hold at the disposition of the post-liberation authorities" looted gold and other assets. It reserved the Allies "right to declare invalid any transfers of property belonging to persons within occupied territory," a reiteration of the January 1943 London Declaration and February 1944 Gold Declaration, which stated categorically that the Allies would not honor any transactions involving looted property, including gold, "which was acquired directly or indirectly from the Axis powers." The 1946 Paris Reparations Agreement set up the "gold pool," which was to include "any monetary gold which may be recovered from a third country to which it was transferred from Germany." As early as November 1946, in a meeting with Emilio Navasques, Director General of Economic Policy of the Spanish Foreign Office, Orvis Schmidt, the U.S. Treasury Department's Safehaven negotiator, explained that in examining Spanish gold records, "the criterion employed [will cover] only purchases made by neutral countries direct from Germany and not those made in good faith from other sources who, in turn, may have acquired the same gold from Germany." (Despatch 3163 from Madrid, November 26, 1946, RG 59, Decimal Files 1945-49, 800.515/11-2646) The record of this conversation was drafted by the U.S. Commercial Attaché in Madrid, Harold Randall, who took the lead in the negotiations with Spain after Seymour Rubin returned to the State Department in 1947.

The Spanish Comisión de Investigación report also cites this interpretation of Bretton Woods Resolution VI. Since most of the gold purchased by the Foreign Exchange Institute came from the Swiss National Bank, Spain was not obligated to restitute it.
73 Telegram 989 from Madrid, December 5, 1947, ibid., 800.515/12-547; "Draft of Sections of the History of Activities in Which the Treasury Department Participated….," January 29, 1952, by Robert J. Schwartz, pp. 26-27, RG 56, Acc. 66A-816, Special Subject Files, Box 1. The report of the Spanish Comisión de Investigación repeats the Allied finding that only eight bars of gold were found to be restitutable. The report points out that the Allied investigators examined the Foreign Exchange Institute accounts as well as the Spanish gold reserves in the vaults of the Bank of Spain and recognized that the rest of the gold was the legitimate property of Spain, which the Spanish Government could use in its financial dealings with Swiss, U.S., and British banks.
its parent company in Germany, Rowak, and sold it to the Institute in the summer of 1944 for about 17.6 million Swiss francs. The Director of SOFINDUS served as a direct intermediary with the Institute, making special arrangements to "camouflage" the transaction by having the Institute pay in installments and offering to cover one installment with SOFINDUS gold deposits at the Bank of Spain while the Institute was obtaining Swiss francs. In addition, SOFINDUS stored the gold at the Bank of Spain once it arrived from Rowak. Ultimately, the Allies decided not to pursue this missing gold, believing that it had probably been minted into coins and would be too difficult to identify.

K. Negotiations on German External Assets in Spain, 1946-1947

The legal basis for the effort to recoup reparations was Allied Control Council (ACC) Law No. 5, the "vesting decree," under which the Allies, having assumed supreme authority in Germany in succession to the defeated German government, claimed title to Germany's external assets in the neutral nations. Spain formally recognized the ACC's authority in October 1946 at the same time it acknowledged the right of France to formally participate in the negotiations along with Britain and the United States. The Spanish negotiators agreed to hand over to the Allies German State and parastatal assets estimated at 275 million pesetas ($25 million).

Negotiations with Spain over private German assets began in November 1946. Spain rejected the Allies' rights to these assets and demanded that its claims against Germany for World War II and the Spanish Civil War be satisfied out of the semi-official holdings instead of private German assets. Shortly after the War, Spain had informally indicated that it had 400 million pesetas ($36.3 million in October 1946) in claims against Germany, but by early 1946 had agreed to reduce that amount to 270 million (about $24.5 million by October 1946). It also demanded that Spanish claims be satisfied ahead of those of the Allies and the other neutrals. The Allies argued that the vesting decree granted them control of all German assets and that, at that point in the talks with all the neutrals, they could not guarantee that Spanish claims would be honored first.

The talks focused on several issues, including a formula for distribution of the liquidation proceeds. The Allies favored a lump sum distribution instead of a percentage formula in order to avoid delays caused by reviewing each asset individually. In May 1947 the Allied plan was presented to Spanish negotiators, who expressed concern that the lump sum formula would not adequately compensate Spain for claims against Germany and that the Allies' estimate of the value of German assets (700 million pesetas; about $64 million) was too high. Spain also wanted assurances that the Allies would abide by Spanish laws governing foreign holdings, provide Spain a fair share of any foreign exchange realized during liquidation, and revise the plan so that permanent German residents of Spain could still be purchasers. The U.S. Embassy noted that there was "a wide gulf which must be bridged before a satisfactory accord can be reached."

In January 1948 Spain insisted that the negotiations over assets and gold be separated. Spain declared "unequivocally" that it would "continue to restitute" any looted gold, but would not sign an agreement that did not include a reciprocal claim for Spain's lost Civil War gold. By this point, U.S. Embassy officials had reviewed the Foreign Exchange Institute documents turned over in 1946 and

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74 Despatch 5 from Madrid, January 2, 1948, RG 56, Acc. 66A-816, Special Subject Files, Box 2; despatch 39 from Madrid, January 19, 1948, RG 59, Decimal Files 1945-49, 800.515/1-1948. The Spanish Comisión de Investigación report confirms this direct purchase of gold from Germany, but notes that the amount of gold was 3.4 tons ($3.8 million), with a value of 17.6 million Swiss francs. Despatch 58 from Madrid, January 28, 1948, indicates the amount of this transaction was 3.6 tons, but does not give an equivalent value in Swiss francs, RG 59, Decimal Files 1945-49, 800.515/1-2848.

75 "Draft of Sections of the History of Activities in Which the Treasury Department Participated..." January 29, 1952, by Robert J. Schwartz, p. 27, RG 56, Acc. 66A-816, Special Subject Files, Box 1.

76 IARA Final Report; unattached enclosure no. 10 to despatch 3196, November 4, 1946, RG 59, Decimal Files 1945-49, 800.515.12-446; despatch 2871 from Madrid, September 23, 1946, ibid., 800.515/9-2346.

77 Despatch 3527 from Madrid, February 12, 1947, ibid., 800.515/2-1247.

78 Despatch 3969 from Madrid, May 22, 1947, ibid., 800.515/5-2247; telegram 630 from Madrid, July 7, 1947, ibid., 800.515/7-747; telegram 44 from Madrid, January 17, 1948, ibid., 800.515/1-1748; despatch 36 from Madrid, January 20, 1948, ibid., 800.515/1-2048; IARA Final Report.
believed only "very insignificant quantities" of looted gold could be identified as having been bought directly from a German institution, specifically the 101.6 kilograms of Dutch gold. As a result, the Embassy argued that "nothing practical would be lost if the looted property article [were] eliminated" from the draft accord being negotiated.\textsuperscript{79}

\textbf{L. International Background to the Allied-Spanish Negotiations}

During the first years of the postwar Allied negotiations with Spain, that nation was effectively ostracized from the rest of the international community. At the founding session of the United Nations in February 1945, Spain was excluded from membership because of its wartime pro-Axis record and its dictatorial regime. At the Potsdam Conference in July and August 1945, Soviet Marshal Stalin sought approval of measures to bring down the Franco regime, but President Truman, Prime Minister Attlee, and Stalin could only agree not to allow the Franco regime into the United Nations because the "present Spanish government...in view of its origins, its nature, its record and its close association with the aggressor states, does not possess qualifications necessary to justify such membership."\textsuperscript{80} In December 1945 U.S. Ambassador Norman Armour left Madrid, and no Ambassador was appointed to Spain until 1951. Other Allied nations followed suit and withdrew their Ambassadors.

During 1946 and 1947 the United States, Britain, and France explored the question of what action, if any, to take to bring about the removal of the Franco dictatorship and allow the Spanish people to choose their own government. While U.S. policy-makers found Franco and his regime repugnant, they were also convinced that measures that threatened a renewed civil war in Spain should be avoided.\textsuperscript{81} The British Government shared the U.S. dislike for the Spanish regime and recognized the U.S. wish "to do something" about Franco, but was convinced that economic sanctions would strengthen the regime rather than weaken it. France, which closed its border with Spain early in 1946, was more optimistic about the efficacy of economic sanctions, including a possible oil embargo, and sought in March 1946 to persuade Britain and the United States to join it in a declaration stating that as long as Franco remained in power, normal relations with Spain were impossible.\textsuperscript{82} In an agreed joint statement on March 4, 1946, the three governments gave assurances of their intention not to intervene in Spain's internal affairs, looked forward to the Spanish people freely selecting a government once Franco had withdrawn, held out the likelihood of measures to assist Spain's solution of its extreme economic problems, and left open the possibility of terminating diplomatic relations with Spain.\textsuperscript{83}

In May 1946 a UN special subcommittee issued a report on Spain that presented evidence of its Fascist nature, pro-Axis activities during World War II, postwar support and sanctuary to Nazi war criminals, and government repression of political opponents. Discussions in and out of the United Nations consistently excluded the possibility of intervention against Franco, including the use of economic sanctions. At its fall 1946 session, the UN General Assembly debated the Spanish issue at length and concluded that while the Franco regime was repugnant, no intervention should be encouraged against Spain and no economic sanctions ought to be imposed. Most member states, however, agreed to withdraw their Ambassadors from Madrid.\textsuperscript{84}

\begin{footnotes}
\item[79] Despatch 36 from Madrid, January 20, 1948, ibid., RG 59, Decimal Files 1945-49, 800.515/1-2048; despatch 46 from Madrid, January 23, 1948, ibid., 800.515/1-2348; telegram 61 to Madrid, January 29, 1948, ibid., 800.515/1-2948.
\item[82] The U.S. record of the exchanges among the three powers on this matter is ibid., pp. 1030-1065.
\item[83] For text of the tripartite statement, see \textit{A Decade of American Foreign Policy, 1941-1949: Basic Documents}, pp. 606-607.
\end{footnotes}
The United States gradually abandoned its policy of ostracizing the Franco regime by the beginning of 1950, although the first moves toward normalizing relations were made in late 1947. By this time it became clear to key policy-makers that these policies had only strengthened the regime's hold on the country, impeded Spain's economic recovery, and jeopardized the role it might play "in the event of an international conflict." An October 1947 State Department policy paper, while not specifically mentioning the negotiations over German assets, argued for a "normalization of U.S.-Spanish relations" through "relaxation...of our restrictive economic policy." Specifically, it advocated "quietly" dropping controls on the Spanish economy "so that normal trade may be resumed," followed by "the possibility of financial assistance." In February 1948 the Embassy informed the Spanish Government that the United States desired a strong Spanish economy and that once the "question of gold" was settled it would allow private investors to extend "very substantial" credits to Spanish industry.66

**M. Allied-Spanish Accord on German External Assets, May 1948**

On May 10, 1948, the Allies and Spain reached an "Accord...for the Expropriation of German Enemy Property in Spain and the Liquidation of Balances and Payments Between Spain and Germany." The Allies were to receive the proceeds from the liquidation of all official and quasi-official assets, estimated at that time to be worth 225-250 million pesetas (about $20-23 million). As for private assets either in Spain on May 5, 1945, or "falling due" by April 30, 1948, the parties agreed to a percentage distribution. Spain would receive 20 percent of the first 100 million pesetas (about $9 million) realized, 22½ percent of the next 100 million, 25 percent of the next, 27½ percent of the next, and 30 percent of any amount exceeding 400 million (about $36 million). Based on this formula, the 18 members of the Inter-Allied Reparations Agency (IARA) would receive about 76 percent of the first $36 million realized. In addition, in a note exchanged at the signing of the accord, the United States pledged to release over $64 million in Spanish assets that had been frozen in the United States since the War.87

At the time of the agreement, the Allies projected about 400 million pesetas (about $36 million) from private assets. Initially the proceeds were to be deposited in the Spanish Foreign Exchange Institute and could not "be transferred abroad or used for investment in Spain without the special agreement of the Spanish Government." In an attached "Financial Protocol" to the accord, Spain indicated that it would authorize "transfers, cessions or investments" of these funds "within the limits and capabilities" of its economy.88 None of the proceeds, however, was slated for the $25 million fund for non-repatriable victims of the Nazis established by the January 1946 Paris Reparations Agreement, largely because the Allies believed they would meet this amount in their agreements on German assets with the Swiss, Swedish, and Portuguese. Furthermore, they did not believe that pesetas would prove much value to the fund.89

The accord tasked Spain with identifying and liquidating these assets, but gave the Allies, as "representatives of the Government of Germany," the right to "intervene" at any point in the process. The value of these properties was to be determined by a "fair appraisal," and any disputes between the two sides were to be mediated by a "disinterested person chosen by both." Once Spain fulfilled the accord's terms, it would be freed from "all classes of claims and trade or payments balances between Spain and Germany." The Allies, "in the name of the Government of Germany," guaranteed that whatever German Government succeeded the Allied Control Council "shall confirm" for Germany the accord's provisions.90

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87 The amount of Spanish assets in the United States is from the memorandum for Surrey (Le/E) to Thorp (A-T), February 5, 1948, RG 59, Decimal Files 1945-49, 800.515/1-2348.
88 The text of the Accord is in 62 Stat. 2061; *IARA Final Report, Inter Allied Reparation Agency, German External Assets, the Accord with Spain,* September 1, 1948, ibid., Box 4; despatch 175 from Madrid, March 24, 1948, ibid., RG 59, Decimal Files 1945-49, 800.515/3-2448; despatch 215 from Madrid, March 30, 1948, ibid., 800.515/3-3048; Telegram 232 from Madrid, April 7, 1948, ibid., 800.515/4-748; despatch 197 from Madrid, April 7, 1948, ibid., 800.515/4-748.
90 62 Stat. 2061.
The Allies also reached an agreement with Spain on looted gold through an exchange of notes on April 30 and May 3, 1948. Spain agreed to turn over 101.6 kilograms of fine gold ($114,329) identified as looted from the Netherlands and any other looted gold identified before April 30, 1949. In return, the Allies acknowledged that Spain "had not been aware [at] acquisition or subsequently" that the gold had been looted. Spain delivered the gold to the Tripartite Gold Commission's gold pool account at the Bank of England in February 1949. Spain's action freed it from all restrictions on trading gold under the February 1944 Gold Declaration. The United States hoped that Spain would use its gold reserves as collateral for private credits from U.S. banks, furthering the new U.S. policy of normalizing Spain's economic relations and promoting Spanish economic development.

In January 1949 the State Department approved a request by Chase National Bank of New York (now Chase Manhattan), to use gold held by the Spanish Government and the Spanish Foreign Exchange Institute as collateral for a $25 million loan to the Institute. At the time, Spain was experiencing a severe drought and the loan was sought to purchase wheat. Later that year the amount was increased to $30 million and a second New York bank, National City Bank (now Citibank), got approval for similar gold-backed loans totaling $20 million. The gold for both these loans was to be held at the Federal Reserve Bank of New York. A letter from New York to the other member Federal Reserve Banks, described the impending transaction as follows:

"In the course of the negotiations...it developed that part of the gold which will serve as collateral for these loans had been looted by the Germans from Belgium and The Netherlands, resmelted into Prussian Mint bars, and subsequently acquired by Spain from other neutral countries which had purchased it from Germany. However, in our consultations with the State and Treasury Departments, we have been informed that the latter regards the gold as tainted only in the hands of the first purchaser and that at the time of the Tripartite settlement with Spain the Spaniards had disclosed the origin of the gold so that it is now regarded by the Treasury Department as eligible for purchase by the United States."
The Federal Reserve Bank ascertained that 42 percent of the gold used as collateral for the $20 million loan had been looted from the Netherlands and Belgium, re-smelted in Prussian Mint bars, and sold to Switzerland, which in turn sold it to Spain.\(^7\) At the direction of Citibank, these bars were re-smelted by the U.S. Assay Office into U.S. assay bars.\(^8\) The $30 million loan from Chase Manhattan was collateralized with other Prussian Mint bars, which had been converted into British bars and whose origin had not been traced in favor of accepting the assurance of Chase Manhattan that the gold had not been looted.\(^9\)

In June 1951 Citibank extended its original loan from $20 to $30 million. By this time Spain had repaid $10 million of its original loan, but wanted the additional funds to make up a $20 million "cushion against emergencies."\(^10\) This extension was collateralized with 761 bars of gold, worth approximately $10.5 million at the time. Based on Treasury and State Department records, 237 of these bars were looted Dutch gold (worth about $3.3 million), 187 of which Spain received from the German account at the Swiss National Bank and 50 of which it purchased from Portugal. In addition, 21 were looted Belgian bars (worth about $300,000), 3 of which came from the German account and 18 of which were purchased from Portugal. The remaining 503 bars "appear[ed] to be clean." According to a July 1951 Federal Reserve Bank memorandum, Spain had not informed the TGC about the 190 bars (worth about $2.6 million) it received from the German accounts (187 from the German account at the Swiss National Bank and 3 looted Belgian bars from the German account in Belgium), as it was obligated to do under the Bretton Woods agreement and the May 1948 Allied-Spanish gold accord. When the Bank asked Treasury whether these bars could be considered tainted since they had not been "released" by the TGC, Treasury responded that it, "with concurrence of the State Department, takes the attitude that Spain acted in good faith in negotiating [the May 1948 settlement] and that said 190 bars should be deemed to have given a release."\(^11\)

\(^{7}\) Notes for Knoke's report to directors...on Spanish loan, March 23, 1950, ibid.
\(^{8}\) On December 22, 1997, in response to press accounts that raised the fact that a portion of the gold received by the Federal Reserve Bank of New York was re-smelted by the U.S. Assay Office, the Federal Reserve Bank wrote the following to the State Department: "The services of the U.S. Assay Office, which was an arm of the Treasury, were routinely used by the Bank's account holders both before and after the War to convert portions of their gold holdings into bars which met the requirements of the international gold market....As a result of gold settlement agreements reached by the Allies, Prussian Mint bars were generally given a clean bill of health and were traded and resmelted like other gold bars in the years after the War." (Letter from James R. Hennessy, Counsel to the Federal Reserve Bank of New York, to Under Secretary of State Stuart E. Eizenstat, December 22, 1997)
\(^{9}\) Notes for Knoke's report to directors...on Spanish loan, March 23, 1950, RG 82, Federal Reserve System, Entry 1, Subject File, Box 654, Spain-Instituto Espanol de Moneda.
\(^{10}\) Copy of telegram 1204 from Madrid, June 23, 1951, RG 84, Embassy Madrid, Classified General Files (Security-Segregated Records) 1936-1949, Box 184.
\(^{11}\) Davis to Files, July 11, 1951, attachment to letter from Hennessy to Eizenstat, December 22, 1997. It is possible that the 190 looted bars identified as coming from the German account at the Swiss National Bank was the $2.6 million in gold that the Allies could not find in their investigation of the Spanish Foreign Exchange Institute's records. Under the interpretation of Bretton Woods Resolution VI that the Allies used after 1946 in deeming Spain responsible only for the gold it had acquired directly from Germany, Spain would have been liable to return this gold since it came from the German account at the Swiss National Bank and had not been purchased by Switzerland. Furthermore, in the May 1948 accord, Spain agreed "to make further restitution of any additional identifiable monetary gold taken by Germany, should it be found that any such gold may have been acquired by Spain." Spain could have been shown to be in violation of the agreement when it offered the bars as collateral, but the Allies agreed in the 1948 accord not to consider "claims for any such additional gold presented after April 30, 1949." (11 Bevans 708) It is not possible to determine from the available sources whether Spain knew of the gold before April 1949.
O. Implementation and Final Settlement of the Allied-Spanish Accord on External German Assets, 1948-1959

Liquidation of German companies in Spain went smoothly at first, although with some delays over documenting the amount of German investment in enterprises, deciding on classes of exemptions, and determining a fair price for seized properties. In November 1949, in a paper prepared for Secretary Acheson’s meetings on Germany with the British and French Foreign Ministers, the State Department noted that approximately 130 million pesetas in State and private assets had been liquidated and distributed to the IARA. While this amounted to $11.7 million in official rates, the paper noted that this overvalued the peseta and that at the current rate in use by the Embassy the total would be closer to $3.9 million. In commenting on the negotiations with the neutrals, the paper reported: "In light of the failure of the Allies to realize almost anything…since the war and the tortuous negotiations which have been carried on…it is doubtful whether anything…[close to the projections at that time] will ever be forthcoming."

In late 1950 the Allies and West Germany began negotiations over "contractual" arrangements to end the postwar military occupation of the country as part of the Allies' effort to integrate the Federal Republic into the Western European economy and the European Defense Community. One aspect of the contractual arrangements was how Germany would honor future reparations agreements with the formal neutrals.

During the contractual negotiations, the German press began attacking the 1948 accord and Spain's expropriation of German assets. Spain therefore, in July 1951, halted the distribution of liquidation proceeds, despite Allied protests, to two bank accounts set up in Spain for the IARA. The total yield from liquidation at that point was about 447.5 million pesetas (about $40.7 million), of which Spain had received 47.5 million pesetas (about $43 million), the Allies 335 million pesetas (about $30.5 million), and the remaining 65 million pesetas (about $5.9 million) due to the IARA were blocked by the Spanish Government. At the time of the Spanish action, only 77 of 122 companies identified as German had been liquidated, and Spain had made no effort to uncover other types of assets, such as securities, real estate, or patents.

In May 1952 the Allies and West Germany reached an agreement in their contractual negotiations in which Germany assumed responsibility for compensating the former German owners of liquidated assets. Negotiations between the two sides continued throughout the 1950s as Spain bargained for a larger percentage of the proceeds and assurances from West Germany that it would not hold Spain responsible for compensating German owners of expropriated properties. Agreement was reached in April 1958: Spain agreed to stop the liquidation of German assets and turn the remainder over to Germany.

102 IARA Final Report.
103 "History of the Reparations Problem," GEC D-3/1, November 2, 1949, and "Statistical Data on German Reparation Receipts Other Than Receipts From Eastern Europe and the Soviet Zone," November 1, 1949, both RG 59, Conference Files 1949-1963, CF1 to CF 8, Box 1. Documentation on the meeting, which focused on the program for dismantling German industrial plants, is in Foreign Relations, 1948, vol. III, pp. 294-430.
105 IARA Final Report. One report indicates that 213 million pesetas of the Allied proceeds came from official assets. (Air pouch 1053 from Madrid, April 16, 1952, RG 84, Embassy Madrid, Classified General Files, 1950-1952, Box 173) A detailed chart showing the distributions to the various IARA nations is an attachment to despatch 296 from Brussels, October 1, 1951, RG 59, Decimal Files 1950-54, 262.0041/10-151.
106 The May 26, 1952, contractual agreement, entitled Convention on Relations Between the Three Powers and the Federal Republic of Germany and Related Conventions, was published by the Office of the Executive Secretary of the U.S. High Commissioner for Germany. The 1952 convention never came into force because the French National Assembly refused to ratify it. An amended convention was signed on October 23, 1954, and came into force on May 5, 1955. The amended version contained no changes to the relevant paragraphs on German external assets; for text, see American Foreign Policy, 1950-1955: Basic Documents, vol. I, pp. 557-607.
107 IARA Final Report; memorandum from Smith to the Ambassador, October 1, 1953, RG 84, Embassy Madrid, Classified General Files, 1953-1963, Box 1.
and Germany agreed not to hold Spain liable for claims resulting from the earlier liquidation. The Spanish-West German agreement made way for an Allied-Spanish agreement on August 9, 1958, in which Spain agreed to release the 65 million pesetas due the IARA since 1951. Between 1951 and 1958, an additional 81.2 million pesetas had been realized from liquidation but not distributed because of the breakdown in the negotiations. Of this amount, the Allies agreed to give Spain about 61 million pesetas (about $1 million at the 1959 exchange rate) and deliver 13.9 million pesetas ($200,000 at the 1959 rate) to Czechoslovakia and Yugoslavia, which had been due the money since 1951. This agreement became effective through an exchange of notes on July 2, 1959, and terminated the obligations arising from the May 10, 1948, accord.108

Spain, which experienced severe inflationary pressures after 1958 and whose currency underwent enormous devaluation, ultimately delivered 402.441 million pesetas to the IARA, 335 million liquidated and delivered as of 1951 ($30.5 million at the 1951 exchange rate), 65 million delivered as of 1959 ($1.1 million after the July 1959 peseta devaluation), and 2.441 million ($40,683 after the July 1959 devaluation) that the IARA Final Report describes as remaining in its Spanish accounts “after payment of various expenses in Madrid and discharge of residual commitments.” This amounted to about $31.6 million. To this amount the IARA added approximately $1.2 million in various currencies found in German State offices when the Spanish turned the buildings over to the Allies in 1946, making the total $32.8 million.109

The final phase of Allied-Spanish dickering over the implementation of the 1948 accord coincided with Spain’s further integration into the international community as a de facto Cold War ally of the West, along with the steady improvement in U.S.-Spanish relations. The U.S. Congress agreed to appropriate $100 million in aid for Spain under the Mutual Security Appropriations Act of 1952, and in September 1953 the United States and Spain concluded agreements that permitted the United States to establish a number of air and naval bases in Spain and as a result of which the United States was prepared to extend to Spain $226 million in military assistance.110 Spain was admitted into the United Nations in December 1955. By December 1959, when President Dwight Eisenhower became the first U.S. President to visit Spain, following visits by Secretary of State Dulles in 1955 and 1957, the United States had supplied Spain with $538 million in goods and services, excluding commodities that Spain imported from the United States as a result of $94 million in loans from the Export-Import Bank.111

108 IARA Final Report. The 81.2 million peseta figure is from despatch 146 from Madrid, September 4, 1958, RG 84, Embassy Madrid, General Records, 1956-1958, Box 3. It does not indicate what became of the remaining 6.3 million pesetas ($100,000 in 1959). The final accord is printed in 11 UST 2274.

109 IARA Final Report. The Report, which based calculations on 1938 dollar values, valued the 402.441 pesetas at $6.4 million. The peseta was markedly devalued in May 1957 to $1 = 42 pesetas and again in July 1959 to $1 = 60 pesetas.
