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CENTRAL INTELLIGENCE AGENCY

THE CURRENT SITUATION IN SPAIN

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THE CURRENT SITUATION IN SPAIN

1. STRATEGIC IMPORTANCE IN SPAIN.

Because of its geographic position, Spain might become the last bastion in Europe against Communism or a prospective beachhead for the recovery of Western Europe, in case of a war in which Soviet forces expanded their control over the remainder of the Continent.

Spain occupies the land extremity of Europe nearest North Africa and covers the approaches to the western end of the Mediterranean. It is separated from France by the Pyrenees mountains, which form a topographical barrier to land invasion, and possesses good ports on the Atlantic Ocean and Mediterranean Sea. Conditions of weather and terrain in the interior are favorable for intensive development of air traffic.

The Spanish people are almost unanimously opposed to the expansion of Communism. The present government is fanatically anti-Communist. Its opponents, except for a few minority groups, have also taken an anti-Communist stand, with varying degrees of emphasis. This includes the Monarchists, the Republican Government-in-Exile, the Basque Nationalists, and the formerly powerful Socialist and Anarchist workers' groups.

General Franco seized and maintains power by force, and has suppressed civil and political liberties. His regime has not been able to solve the country's basic problems: inequitable land distribution, maldistribution of wealth, low production in agriculture and industry, and malnutrition. General domestic discontent arising from economic causes and from the unsatisfied political aspirations of the people, plus outside pressure, might have caused the overthrow of the government, but Franco has remained in power and is still in a relatively strong position because: (a) many Spaniards fear renewal of civil war if the regime relaxes its control; (b) East-West conflict has been such as to make impossible any fully effective application of international sanctions; (c) he has been able to arouse patriotic resentment against foreign interference; (d) opposition parties within and without Spain have been too divided to be effective; and (e) police methods have succeeded in keeping opposition under control.

The Franco government seeks US friendship on the grounds of its conspicuous opposition to Communism. It also claims that change to any alternative government would open Spain to Communist domination, thus implying, although proffering no commitment, that Spain under Franco would be a potential ally of the US in the event of conflict with the USSR.

The Western Powers continue to oppose General Franco and his totalitarian regime. Yet they have declined to impose economic sanctions on Spain: (a) within the UN, because the Security Council did not find Franco's regime a threat to the peace;

Note: This paper has been coordinated with the intelligence organizations of the Departments of State, Army, Navy, and Air Forces.

See Enclosure "A" for State comment.

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and (b) outside it, because they believed that such intervention would arouse widespread resentment among the Spanish people, and might precipitate violence and result in prolonged instability at a time when the struggle against Communist penetration in France and Italy makes it desirable that Spain should be quiescent. They also lack assurance that a radical change in government could be accomplished without creating chaos or that any of the potential successor regimes so far known could maintain stability during the transition. The situation poses a dilemma. If Spain continues to be the target of special discriminations, it will be further weakened by being deprived of aid which could relieve its economic plight and help prevent Communist penetration. If, however, the Western Powers relax their opposition to Franco, pro-democratic peoples who recognize the anti-democratic character of the Franco state will lose confidence in the sincerity of these governments in acclaiming democratic ideals. This action would furnish the USSR with telling propaganda material, while the growth of distrust of the democracies would increase popular receptivity to Soviet propaganda.

2. PROBABLE DEVELOPMENTS.

Short of a sudden revolt, which appears unlikely in view of the efficiency of Franco's secret police, political chaos is not to be expected in the immediate future. The situation in Spain, however, is one which, by its very nature, cannot remain stagnant, but accurate prediction of the time when the inevitable change will occur is impossible. However, it should be noted that the Army, which characteristically in Spain is almost more of a political than a military institution, is sensitive to the real implications of public opinion. It can be expected to be among the first to detect the growth of a concrete political movement against Franco. If it does, history may be repeated and, as in the case of Primo de Rivera and Alfonso XIII, the Army may withdraw its support at the critical hour, leaving Franco, like his predecessors, no choice but exile.

In the meantime, the Spanish situation under the present regime contains elements of explosiveness and the longer the repression of political thought and action continues, the more acute these pressures may become. This implies the danger that, if unduly prolonged, the regime will lead into revolutionary violence. Unless a moderate group with some support from both Left and Right can somehow find encouragement and prepare for leadership, Franco's "stability" will either be perpetuated through the total suffocation of progressive elements or in the end terminate in a new contest between extremists on Spanish soil.

3. THE POLITICAL SITUATION.

On 1 October 1947 General Franco celebrated the 11th anniversary of his accession to power. As military dictator he controls and directs the national life. State Syndicalism or National Syndicalism, similar in basic pattern to Fascism and Nazism, has been established in the social and economic realm, administered through the Falange Party. Under the new Succession Law, Franco has provided for the re-definition of Spain as a Kingdom and for the appointment, at Franco's will, of a Regent. The King may thus be symbolically represented by a vacant Throne. Franco himself may become Regent, continuing also his present titles of Commander-in-Chief of the Armed Forces, Chief of State, and Chief of the Falange Party. A shrewd, daring, and able political strategist, Franco has held a balance among the divergent groups which helped his

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rise to power. With the same skill he has met an international situation in which Spain has been isolated from the UN because of his totalitarian regime, yet in which he has been able to capitalize on his fanatical anti-Communism in a period of rising tension between the USSR and the Western democracies.

Franco's power rests upon the support of the Army, the Church, the Falange, and the conservative moneyed classes, groups which together dominate the bureaucracy, direct popular opinion, regulate all economic activity, and control the instruments of force. By assuring internal order with strong police and army forces, Franco has kept the propertied classes reliant upon him for the protection of their interests. Repressive measures against political activity meanwhile have prevented resurgence of the dispossessed parties of the Left and Center, while Franco has maneuvered so as to split the Monarchist forces.

The Franco regime nevertheless has failed signally, during the 8 years of peace since the Civil War, appreciably to eliminate the rancors and hostilities between the two opposing sides and has failed to win the confidence of the masses. Opponents of Franco would probably outnumber his supporters to a substantial degree in a free election. At present, however, the opposition is disorganized, both because of its own factionalism and because of the vigilance of the police. Perhaps the most important psychological factors in Franco's retention of power are the lack of a concrete political ideal or a leader able to capture the popular imagination in a general movement against him, and almost universal dread of a new civil war.

The Franco regime has a short-term prospect of stability. Barring financial catastrophe, even the critical economic situation is not likely to cause its downfall. There are, however, various long-term forces very gradually undermining it. Opposition to the present regime stems from: (a) the failure of the government to solve the nation's economic problems; (b) the growing realization in Spain of the inconveniences of international isolation; (c) the resentment created among formerly pro-Franco monarchists by Franco's Law of Succession, aimed against Don Juan, and his subsequent assumption of royal prerogatives in the creation of a new nobility; (d) growing coolness on the part of the Vatican; (e) the progress toward rapprochement of the Left and Right opposition; and (f) the feeling in Spain that eventual change is inevitable, with a consequent tendency to seek for the best alternative to Franco.

While no final understanding has been effected on the possible future coalition of the Right and Left opposition movements, many obstacles to such an understanding have been overcome. Under the leadership of Right-wing Socialist Indalecio Prieto, a substantial sector of the Spanish Left (as organized in exile or clandestinely in Spain through the Socialist and certain Republican parties and the formerly powerful UGT and CNT trade unions) is endeavoring to join with the Don Juan monarchists and present a united opposition to the regime.

Certain conditions in Spain under the Franco regime invite Communist penetration. Widespread poverty, political discontent, and other factors exist which could produce confusion in the event of governmental disintegration, military rebellion, or social revolt. Political repression coupled with the regime's failure to improve the lot of the working classes may advance rather than retard the underground growth of Communism.

On the other hand, Spaniards tend to resent the intrusion of Communist discipline. Distrust of the Communists is strong at present among most opposition groups. The limited acceptability of the Communist Party is shown in the progressive acts whereby it has been eliminated from the Republican Government-in-Exile and deprived of virtually all influence in the underground National Alliance of Democratic Forces.

Nevertheless, Communism, by offering foreign aid to the discontented, anti-Franco proletariat, is making some gains. The Spanish Government claims that the Communist Party in Spain has 150,000 members. This figure is probably greatly exaggerated. But because the Party has outside backing, discipline, and undebatable directives from a source beyond the reach of the Spanish security police, it is the best prepared to step in and take advantage of a sudden confused situation, should the Franco regime be followed by revolt or temporary political chaos.

4. THE ECONOMIC SITUATION.

Spain possesses principal deposits of mercury, copper, and tungsten, and is an accessible source and a large producer of iron pyrites. Low-grade coal is mined in an inadequate quantity for domestic requirements. Uranium has been found, but so far as at present known it exists in very limited quantity. Spain's internal economy, prostrated by the Civil War, was partially restored by the temporary prosperity the nation enjoyed as a non-belligerent trader during World War II, but is now in a position of precarious uncertainty owing to high Government costs, low national production, inflation, decline in foreign trade, and critical lack of foreign exchange.

Predominantly an agricultural and stock-raising country, Spain before 1936 was self-sustaining, although the standard of living was low. Since then the means of food production have been reduced by the effects of the Civil War and World War II, while the population has increased by more than two millions. (The present population is about 27,000,000, with an annual increase of 250,000. Emigration is negligible.) To maintain food supplies at the current average of 1500 to 1800 calories per day for non self-suppliers, Spain must import about 10% of its foodstuffs. Fish must be imported, as must wheat and meat. Better farming methods and capital outlay are needed to correct this situation. In the long run the problem of land distribution will also be fundamental to Spanish economic and political stability. No effective reform can be expected under the present regime, since Franco's main support comes from the land-owning classes.

One of the most important needs of the Spanish economy at present is replacement of capital equipment for heavy industry, railroads, electric power, and agriculture. National requirements in these lines have been estimated at 175 million dollars. The capacity of railway and truck transportation has declined to a point which has curtailed industrial production and retarded all internal traffic and distribution. Replacement and expansion of capital investments in private industry have been retarded throughout the Franco regime by uncertainty on the part of management and investors as to the political and economic future. Intervention by the State in private industry has restrained the spirit of initiative and has absorbed existing resources which might have been used to expand production.

Spanish national production has been reduced in volume to less than the 1936 level and there has been a decrease in man-hour productivity. Industrial labor is hampered by lack of tools and equipment, while undernourishment is a recognized cause of reduced output. Deliberate slowdown is not absent, however, as political discontent is strong among industrial workers since the Government has failed to bring effective wages into line with the increase in the cost of living. Official Spanish figures give the cost-of-living index as of January 1947 at 497 compared with 100 for 1936, while the index of real income had dropped by 1945 to 68.5 compared with 100 for 1936. There has been no substantial increase in real wages since then.

In addition to the decline in national production, the cost of government has risen steadily since 1940. The initial deficit for 1947 was 1,259 million pesetas. The total budget showed estimated expenses of 14,223 million pesetas and expected revenue of 12,964 million pesetas. The public debt has doubled in the post-civil war period. Since 1936 the circulating medium has increased 400%.

About 47% of the national budget goes to the armed forces and the police, while a large part of the allocations for public works, government supervision of national production, and labor organization is spent wastefully on an over-expanded bureaucratic structure and in ways which tend to hamper or discourage new capital investment while fostering speculation and promoting, rather than curbing, black-market activities.

Foreign trade, essential to maintain Spain's industrial life and internal transport system, has also fallen upon bad times. As the war demand for Spanish products has dropped off, balance-of-payments difficulties have become acute. Exchange falls far short of covering the desired volume of dollar areas imports, including petroleum products, cotton, machinery and electrical equipment. The Iberian Peninsula has no oil resources beyond limited amounts of low-grade shale. Coal also must be imported. At the same time the Government's inability to devalue the peseta, pegged at 10.95 to the dollar but selling in Tangier, for example, at 38 or higher, keeps the prices of some Spanish export products too high to compete in the world market.

The Franco Government is trying hard to meet the foreign exchange and production crises. Since Spain is ineligible for loans through international agencies, attempts have been made by various Spanish agents to obtain loans from private American sources, but these have been unsuccessful because Spain is a bad economic risk. Trade agreements with the UK, Argentina, and Sweden have alleviated the situation to a certain extent.

These are stop-gap expedients which cannot cure the long-term deterioration which already has made such inroads upon the national economy. Nevertheless, they may be enough to avert economic collapse. Franco will probably be able to maintain the stability of his government through the winter, hoping for better crops next year. In the meantime he probably will have to call on the people for renewed sacrifices.

5. MILITARY SITUATION.

The strength of the Spanish Army is estimated at 422,000 men under arms, plus a semi-military Civil Guard of 60,000 and an Armed Police of 25,000. This force is more than sufficient to maintain the internal security of the country and to guard the frontier. The Army is hindered by a lack of modern equipment; training is seriously

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curtailed by the acute shortage of gasoline. The Spanish munitions industry produces sufficient small arms for the present size of the Army, but production of artillery and heavy weapons is completely inadequate.

The Navy numbers 29,000 officers and men, including 7,500 Marines. Adequate modern naval equipment is lacking and shortage of fuel restricts naval maneuvers.

The Air Force has a strength of approximately 35,000 men, of which 18,300 are service personnel, such as guards, etc., while only 16,700 are considered effective air force personnel. Aircraft, all obsolete types, number some 721 of which only about 300 are operational. Scarcity of gasoline has cut the training program, and there is almost no flying in active units except on state or emergency occasions. Conditions of weather and terrain are favorable for intensive development of air traffic.

Spain could not repel attack by a modern army, trained and equipped with the newest arms. Capabilities of the Spanish armed forces will not improve in the near future, unless Spain obtains weapons, aircraft, and equipment from foreign sources.

Should a foreign force occupy Spain or use the area for a base, it could draw upon the region for food supplies only by imposing great hardship on the civilian population. Because of the character and individualism of the people, their attitude would have considerable effect on the operations of an invading or an occupying foreign force. If hostile, Spaniards are capable of sustaining an attitude of costly obstructionism. At the present time, most Spaniards are friendly toward the US and unfriendly toward the USSR. However, as the proletarian opposition to the Franco regime loses hope of aid from the democracies, some sectors of it tend to turn for leadership to the Spanish Communist Party. The consequences could be unfavorable to the US in the event of an invasion of Spain by forces serving the USSR.

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DISSENT BY THE INTELLIGENCE ORGANIZATION
OF THE DEPARTMENT OF STATE

Political change is not to be expected in Spain in the immediate future. A successful revolt by any group now opposed to Franco is out of the question. Bad as economic conditions are, they do not foreshadow an economic collapse in Spain or an administrative collapse of the Franco regime so long as conditions in the rest of Europe do not improve markedly faster than in an isolated Spain. Any succession movement that could take over power while avoiding the renewal of civil war which the Spaniards dread would have to be broadly based, possess the support of the Army, and enjoy some price understanding with major Western powers. Despite recent progress in preliminary negotiations between the Don Juan monarchists and moderate leftists led by Prieto these conditions are not now fulfilled and seem unlikely to be so for many months to come. The Spanish Communists—too weak to revolt, unable to count on economic chaos, and excluded from the only promising succession movement—offer no immediate threat to the stability of the Franco regime.

Barring his own death or upheaval in the rest of Europe, Franco's regime is capable of continuing essentially unchanged for years. The longer his repression of political action is maintained, the deeper the political discouragement and apathy of most Spaniards is likely to become, but also the greater resentment and desperate impatience will the thwarted politically-minded minorities develop. The Communists will be exploiting both this apathy and this impatience. The longer, therefore, that the crisis over the succession to Franco is delayed, the more necessary for the avoidance of chaos or an armed contest between political extremists becomes the emergence of a moderate "shadow" government prepared to fill a power vacuum without delay.

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