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CHAPTER 7

The Zenith of Collaboration

By December 1940, Franco and Serrano had decided that entry into the war was simply not desirable at that time, and that Spain must wait until the situation improved both internally and strategically and until Hitler was more forthcoming on territorial demands. This second phase of nonbelligerence would last approximately two years, until December 1942, when the success of Torch, the Allied invasion of north-west Africa, convinced the Spanish leaders that—unless the war suddenly changed drastically in Germany’s favor—Spain should stay out of it altogether. There followed a shorter phase, from December 1942 to October 1943, when Franco was still expecting some sort of German-dominated continental Europe to emerge from the war, even though the Spanish government no longer planned to enter the fight. Only in the summer of 1944, after the success of Overlord, the Allied invasion of France, did Franco accept that Germany was simply going to lose the war, and that European affairs would be dominated by its enemies.

Thus the decision to postpone Spain’s entry in the war had not been due to any slackening of enthusiasm for the German cause, as Franco and Serrano constantly and truthfully reassured Berlin. The following year of 1941 would in fact expand the broad-based Spanish collaboration with the German war effort. Germany’s longest-established service in Spain was intelligence, but at first it was modest and scarcely went beyond the services of other major powers. In the summer of 1939, as war loomed, Admiral

Canaris, since 1935 chief of the Abwehr (military intelligence), undertook to establish an advanced series of intelligence units called *Kriegsorganisationen* (KO—war organizations) in ten major neutral countries, including Spain and Portugal. KO-Spanien would grow to become the largest, with a staff of 220, a roster of approximately two thousand agents and collaborators, and a network of observation and transmission stations throughout the country. Like the Abwehr itself, it was organized in three sections. The first dealt with gathering intelligence, the second with organizing sabotage of enemy forces, and the third with counterintelligence and disinformation. It became the largest single agency of the Reich outside German-occupied territory, its personnel also including 171 staff members of the huge Madrid embassy (with more than 500 personnel, the largest German embassy in the world), 21 members in the office of the police attaché, 74 under the military attachés, and Wehrmacht staff—a grand total of nearly 500 under diplomatic immunity, to which might be added the services of the 180 German employees of the thirty consulates in Spain.¹ Walter Schellenberg, Hitler's last intelligence chief, has testified regarding the great importance of German intelligence activities of all kinds in Spain.²

The most important single focus of activity was, of course, Gibraltar, for which German intelligence activity continued to expand throughout 1941, until by the end of the year at least eleven observation points were being manned along the southern coast and in Spanish Morocco, the station at Algeciras alone transmitting twenty messages per day. Late in 1941 nine new stations were constructed on the north shore and five on the south, equipped with powerful new infrared ray technology. Franco gave his final approval in March 1942 and the new network (Operation Bodden) went into operation the following month.

Just at this point, in December 1941, the British code-breaking operation Ultra at Bletchley Park succeeded in breaking the Abwehr radio code and soon learned much about Bodden. The British naval command considered launching a commando operation to destroy some of the key stations, but decided this idea was too bold and risky. Instead, Hoare presented a detailed aide-mémoire to Franco at his residence in El Pardo on 27 May 1942, describing German activities and demanding that they be ended. Coming on the heels of the supply operation for German submarines and destroyers, this latest German initiative in Spain was doubly exasperating. Bodden had required not merely Spain's approval but its active complicity in construction, logistical support, and auxiliary personnel. Franco denied everything, the official Spanish response alleging that

German personnel had been brought in for technical assistance with the placement of new Spanish artillery on the coast. Since the operation had been discovered, however, the Spanish government decided on 25 June that it was too risky and closed it down, though a minor share of the observation facilities were reestablished elsewhere.³

Spanish authorities and agents also provided extensive intelligence services from British soil. During the Battle of Britain the embassy and its military attachés, with the assistance of the Spanish government, provided sometimes daily reports on damage inflicted and the state of British morale, though the assistant press attaché, Juan Brugada, was turned by MI5 and provided false reports. The most notorious Spanish agent working for Germany in England was the Falangist press attaché Angel Alcázar de Velasco, who was uncovered and later banned by the British, but there were a good many others. The Spanish government considered this activity so normal that when a new air attaché, the monarchist Juan Antonio Ansaldo, refused to collect intelligence data for the Germans, he was summarily dismissed and prosecuted for insubordination.⁴ Altogether, forty or more Spaniards worked for German or Japanese intelligence outside Spain.⁵

After Japan attacked the United States, the Japanese found themselves virtually bereft of sources of intelligence on their new enemy, and turned to Serrano Suñer for assistance in Madrid. He authorized Alcázar de Velasco to set up a network of Spanish agents, mainly journalists, in the United States to provide intelligence for Japan by way of Madrid between 1942 and 1944. It became the principal conduit of Japanese intelligence on the United States during these years, but the information provided was of poor quality, some of it pure fabrication.⁶ When U.S. counterintelligence learned of these activities, as it soon did, the image of the Franco regime became blacker than ever and stimulated the very strong pressure that Washington exerted against Madrid in the later stages of the war.

British and Allied intelligence later responded quite effectively, using the waters and territory of Spain for major deception operations that confused the Germans with regard to the Allied invasions of Italy and France.⁷ Equally useful was the remarkable work of Juan Pujol ("Garbo"), who has been called the most important double agent of the Second World War. During the Civil War he had been a convinced Francoist, appalled by the excesses of the revolution though forced briefly to serve in the Republican army. During 1940–41 Pujol's reading of Nazi literature convinced him that Hitler was a grave menace to the world and he offered his services to the British, who set him up as a double agent. Recruited by the Germans,

he was sent to Britain ostensibly as a Spanish businessman; there he fed the Germans crucial false information for three years.⁸

The Abwehr's sabotage organization (SO) was organized in Spain in September 1940 to function as an auxiliary of the Gibraltar operation. It relied on the assistance and participation of a considerable number of Spanish agents, who in fact were largely in charge of active operations, making use of Spanish workers employed in Gibraltar to plant and set off a variety of explosive devices. These devices caused not inconsiderable damage, and one calculation has it that the SO was responsible for sinking somewhere between 70,000 and 100,000 tons of Allied shipping from the beginning of 1941 until its operations were largely closed down in March 1944.⁹

A series of Italian sabotage operations against Gibraltar were also carried out with Spain's approval and complicity, many of them organized from the Italian tanker *Oltterra*, interned in the Bay of Algeciras.¹⁰ After repeated Allied protests, these operations were finally ended in September 1943. In addition, fifteen Italian air raids launched against Gibraltar had to make use of Spanish air space for belligerent activities, some of the planes having on occasion to land at Spanish airfields for refueling on their way home. Only on the occasion of the final raid, launched from Mussolini's puppet Salò Republic on 3 June 1944, were the planes that stopped over at Spanish airfields interned, along with their crews.¹¹ All these attacks and acts of sabotage, mounted with Spain's complicity, never came close to crippling Gibraltar, but they hampered its operations and complicated the work of the Allied forces in the Mediterranean.¹²

In addition, in mid-1940 the Luftwaffe was permitted to establish two stations for weather reporting and navigational guidance near Lugo and Seville. These stations continued to operate until the very end of the war, using German planes with Spanish insignia. They also provided technical assistance to the Spanish air force, and clearly acted in violation of international law in time of war.¹³

Armed Spanish warships first began to provide escort protection for German shipping along the northern and southern coasts of Spain in January 1940. This activity was very risky, however, and was soon brought to an end. In addition, German diplomatic correspondence and intelligence information were carried across the Atlantic in Spanish ships under the cover of Spain's own diplomatic correspondence for much of the war. In 1941, as Franco postponed Spain's entry into the war *sine die*, naval collaboration with the Germans increased. Not merely did the resupply of Ger-

man submarines operate at its highest level during that year, but new forms of naval collaboration developed. The war in northeast Africa quickly achieved a new intensity and importance, with Axis forces logistically handicapped by British naval and air dominance in the Mediterranean. As Erwin Rommel's newly formed Afrika Korps went from victory to victory, despite its small size, it became clear to the German command that Rommel might eventually fail, not because the British would defeat him in battle but because they might succeed in blocking the flow of vital supplies. Therefore the German command turned to SOFINDUS, the German holding company in Spain, which in August 1941 created a new German enterprise in Spain, *Compañía Marítima de Transportes, S.A.*, which would be commonly known as Transcomar. This firm was registered not as a German but as a Spanish company under the names of Spanish intermediaries and obtained authorization from the Falangist Demetrio Carceller, minister of industry and commerce, to operate five ships to engage in trade in the western Mediterranean. These vessels would spend part of their time in the covert shipment of supplies to German forces under cover of the Spanish flag, which freed them from the danger of British interdiction. Within a few months more ships were added to this operation, known to the Germans as *Aktion Hetze*, credited with moving 125,000 tons of supplies to North Africa within a period of ten months during 1941–42.¹⁴

The British soon learned of these activities and took two countermeasures: ships of 500 tons or more were prohibited from entering the Mediterranean without British approval and the Spanish government was pressured into requiring that Spanish ships leaving Spain return directly, without engaging in other activity. In addition, the British decided to buy up as much Spanish shipping as possible; by 1942 they had dedicated £3 million to this enterprise, most of it loaned by Juan March, who was later repaid in gold at the end of the war and earned a great profit.¹⁵

During 1942 the problem of supply to Rommel became increasingly desperate, and the Germans intensified their efforts to make use of non-belligerent and neutral shipping. To exploit Spanish resources further, a German shipping company purchased 50 percent of the *Compañía Naviera Levantina*, using counterpart funds from the sizable unpaid debt owed to Germany by the Spanish government. Within months it was soon operating a larger number of Spanish ships than Transcomar had done, while the Germans also purchased a controlling interest in the Bilbao shipping company *Bachi*, again employing Spanish front men as shareholders. Five of this company's six ships were then moved to the Mediterranean, where they

were also used for German supply operations and to shield regular German supply ships. The British eventually sank two of Bachi's ships and pressured the Spanish government into suspending the operations of the remainder. An undetermined number of the boats employed by the *Compañía Naviera Levantina* were also sunk, as these operations gave rise to a whole series of incidents and protests. Yet a further Spanish-fronted German shipping company, *Naviera Ibérica*, was formed in 1944 to construct small boats for the German trade, but by this time the military advance of the Allies largely put an end to such efforts. A further minor dimension of naval collaboration was the covert use of Spanish ships to South America to repatriate the most important crewmen of the pocket battleship *Graf Spee*, interned in Uruguay and Argentina.¹⁶

Another significant form of collaboration involved the Spanish and German police. The Franco regime had first sought technical assistance from the Gestapo in methods of combating communism in November 1937, and they signed an agreement to cooperate on 31 July 1938. This measure provided for broad exchange of information and collaboration. Heinrich Himmler made an elaborate four-day visit to Spain, more for high-level tourism than police activity, in October 1940, on the eve of the meeting at Hendaye. The friendship treaty of 1939 provided for assignment of special police representatives to the embassies in Berlin and Madrid, and a verbal agreement at the time of Himmler's visit transformed these assignments into the novel posts of police attachés, giving the German police a direct presence in Spain for the remainder of the war to control German nationals.

As the first major police collaboration, Germany provided a list of Republican notables trapped in German-occupied France, as requested by Madrid in August 1940. The people sought were then handed over by the Germans, who would also have been happy to return all the 50,000 or more Spanish émigrés initially in their zone of France, but Franco had no interest in the return of large numbers of hard-core leftists. The notables who were repatriated were immediately placed on trial, and some of the most prominent were quickly executed. The executions, however, led the Vichy government to refuse to hand over other notables resident in unoccupied France.

When the Germans occupied Vichy territory in November 1942, all the remainder of the 140,000 Republican refugees in France passed under German control. At least 7,288 were eventually deported to the concentration camp at Mauthausen in Germany, where at least 64 percent of them died.¹⁷

German propaganda in Spain expanded considerably during 1941. To

that point it had been represented by an information bulletin published three times a week by the embassy in approximately 50,000 copies, a satirical weekly that reached 300,000, and a propaganda-based crossword puzzle sheet, *Crucigramas*, of which more than 150,000 were distributed weekly.

In the summer of 1941 the German embassy reached the conclusion that British propaganda was having a significant effect and that Germany, with the assistance of the Spanish government, should become much more active. Stohrer and the press attaché drew up the outline of what became known as the Grosse Plan of German propaganda in Spain. It was officially approved in Berlin at the beginning of 1942 and immediately won the personal endorsement of Franco and Serrano. It was designed to expand German propaganda while controlling that of Great Britain, and, given the close collaboration between the two governments, would be conducted as much as possible by Spanish personnel, without the official participation of the embassy.

The Grosse Plan set up five sections. Group A was composed of Spaniards sincerely committed to the German cause, of whom a list of approximately 500,000 had been compiled by July 1942. They would be organized into local sections, each led by a local Spanish leader, drawn from 15,000 core collaborators. The local groups would receive the embassy's information bulletin, as well as special leaflets and pamphlets published by Spanish intermediaries. Group B was to be formed within the Spanish postal service, with the goal of facilitating the introduction and passage of German propaganda and intercepting the flow of Allied propaganda through the mail. Group C would be created within the FET, with the assistance of the latter's national delegate of propaganda, Federico de Urrutia. It would facilitate the distribution of German propaganda, spread rumors favorable to the German cause, and identify Allied propaganda and its sources, channels, and recipients. Group D was to be set up within the Dirección General de Seguridad, using the Spanish police system to gather information about Allied propaganda and the means, both official and unofficial, of combating it. Group E was probably the least important, to be organized among supporters in the Association of Ex-Captives of the Civil War. This group had a membership of 28,000 former prisoners in Republican jails, 20,000 of whom were judged to be pro-German.¹⁸

Stohrer reported in March that half the extensive amount of Allied (mostly British) propaganda in the mails was being intercepted and eliminated. During the course of 1942 German propaganda, in turn, published 56 leaflets with a total distribution of 9 million copies, though financial

support never went beyond ESP150,000 per month, forcing German officials to collect additional funds from German businesses operating in Spain. Propaganda material was prepared in a wide variety of categories designed for different sectors of the Spanish population. This plan remained in operation until virtually the end of the war, inundating the country with German propaganda, while, at least until the last year, restricting the flow of Allied propaganda. Diplomatic protests by the British and American embassies about the irregularities in the Spanish mail at first achieved only limited effect, for the Spanish government referred to its own decree of June 1940 which theoretically restricted drastically the circulation of foreign propaganda; only official bulletins were to be sent, and they only to government agencies. By 1942, Spanish police at least on some occasions arrested Spanish citizens who tried to enter Allied embassies, with resultant diplomatic protests. These restrictions on Allied propaganda continued, though with diminishing vigor, until the middle of 1944.¹⁹

Yet, as Franco and Serrano observed many times to the Germans, the Spanish government could not be an entirely free actor, for it was heavily conditioned by Allied control of the seas and of vital imports. Thus, even as the regime cooperated with and helped to implement the Grosse Plan, Serrano would have to tone down the expression of German propaganda and German-slanted news in the Spanish media from time to time in order to maintain the flow of imports. Similarly, though Falangists collaborated avidly with German propaganda and publicly chanted Nazi slogans, the FET was given orders in 1941 and 1943 that forbade party members to work for or merely align themselves with foreign organizations. These contradictions were never fully resolved until the final destruction of the Reich in 1945.

In addition to waging this vigorous propaganda and counterpropaganda campaign in Spain, the German government made a major effort to influence and control the Spanish press. These efforts had begun to a limited degree in 1935, but they ratcheted up during the Civil War when propaganda personnel from both Goebbels's ministry and the Nazi Party Auslandsorganisation (AO) were sent to the Nationalist zone, though in fact Nazi press and propaganda activity during most of the conflict was somewhat limited.

It expanded with the arrival in September 1938 of the suave, sophisticated Austrian Hans Lazar, who would cut a wide swathe in Spain virtually down to the end of World War II. He came as representative of Transocean, the Nazi Party overseas propaganda agency. Becoming press attaché in

September 1939, he enjoyed a monthly budget of ESP200,000, most of which seems to have been used to bribe Spanish journalists. Influencing the Spanish press was all the easier because of the draconian Spanish censorship law of April 1938, which established tight central control, with a sizable part of the press owned and operated by the FET. Ramón Garriga, who was one of the leading journalists and state information officers of that era, later judged that "in no other country did the press behave in such a servile manner during the war years."²⁰ As Manuel Ros Agudo says, it reached a paroxysm of Germanophilia during the second half of 1940, when its task was to prepare Spanish opinion for a short war.²¹ Generally speaking, Spanish news coverage was heavily slanted in favor of the Axis until the later stages of the war.²²

Nazi leaders believed that Latin America was a fertile field for their propaganda, but also feared that the major anti-Nazi campaign begun by the U.S. government might eventually close the western hemisphere to them. Therefore at the time of Serrano Suñer's mission to Berlin in September 1940 it was suggested to Vicente Gállego, director of the newly created Spanish state news agency Efe, that the German government was greatly interested in helping Efe expand its operations in Latin America, where it might serve as conduit for Nazi propaganda. When Gállego refused to be bought, the Germans strove, though unsuccessfully, to have him dismissed from his post.

Franco's decision to postpone entry into the war in no way diminished German enthusiasm for using the country as a propaganda stepping-stone, and by the spring of 1941 Stohrer and Lazar had begun to negotiate directly with Serrano and with Antonio Tovar, the German-speaking and Naziphile undersecretary of press and propaganda. In June Paul Schmidt, press chief for the German foreign ministry, came to Madrid to sign what became known as the Schmidt-Tovar agreement, which stipulated that funding would be made available for Efe to set up branches throughout Latin America. The branches would send to Madrid by radio full reports of developments in Latin America, and Efe would dispatch large amounts of material, including much Nazi propaganda, for them to disseminate as widely as possible. Sophisticated new technology would be provided, including an extremely powerful transmitter to be set up in Madrid. Nonetheless, implementation was largely stymied by the opposition of Gállego. German financial and technological assistance was never accepted, and of thirty pro-German Efe agents to be dispatched to the western hemisphere under diplomatic cover to work for German propaganda and intelligence

interests, no more than four were sent.²³ One Spanish journalist who agreed to work for the Nazis in Latin America in fact served as a British double agent. The Germans continued their efforts to expand their foreign propaganda through Spanish sources in 1942–43, though once more with limited effectiveness. Negotiations were also begun in Berlin in the autumn of 1940 to create a joint German-Spanish espionage service in Latin America, in which the Spanish foreign ministry was deeply involved, but this operation never went into effect. The goal of Spain's effort to influence the policies of Latin American countries in 1941–42 was to discourage cooperation with the United States and a pro-Allied policy in favor of a pan-Hispanism opposed to the United States, oriented toward Spain and neutrality, and a policy more favorable to the Axis. These efforts failed almost totally and were largely abandoned before the end of 1942.²⁴

At the same time it must be recognized that the policy of *hispanidad* was not primarily the result of any Axis strategy but represented basic goals of the Spanish regime itself. The effort to gain influence in Latin America was a fundamental strategy, though it was also aligned with Axis interests, but it was a general failure, with the exception of relations with Argentina.²⁵

How significant was Spanish collaboration with the Axis during the war? Such activities were generally marginal to the German war effort, with the exception of the submarine refueling, Mediterranean supply-running, and Gibraltar sabotage operations. These activities were all direct contributions to the German war effort. Collaboration in propaganda and intelligence had considerably less direct effect, but in general Spain's collaboration was more extensive and long-lasting than that of any other nonbelligerent or neutral country.

Nonetheless, pressure by the Allies increasingly forced Spain to reduce key aspects of its collaboration, and thus pointed up how gratuitous and voluntary most of this collaboration was. It should also be kept in mind that the Germans were not given a blank check. They asked for things they did not get, such as Spain's direct entry into the war. Moreover, in each area the Germans would have liked to carry collaboration considerably further, but Spanish authorities refused. Attitudes also varied on the part of individual Spanish officials. Some, such as Vicente Gállego of the Agencia Efe, refused to be exploited. At the highest level of the government, the entry of the Count de Jordana as foreign minister in place of Serrano Suñer in September 1942 brought significant pressure for change, as will be seen in later chapters.

Such extensive collaboration was not the Spanish equivalent of Sweden's temporary permission for passage of German troops across Swedish territory, but followed a systematic pattern reflecting the political sympathies and identity of the Spanish regime. It was also sometimes intended as compensation for the fact that Spain had not actually entered the war. Though collaboration was substantially reduced by mid-1944 as a result of Allied pressure, it was never completely terminated until the end of the Third Reich itself.

Economic Collaboration

Economic collaboration was also extensive, but in this area collaboration by the Spanish regime was no greater than that of neutral countries such as Switzerland and Sweden. During the war the Swiss economy was broadly cooperative with that of the Reich in industrial production and finance,²⁶ which Hitler accepted as a valid alternative to military occupation, a project with which he had toyed in the summer of 1940. The difference was that Switzerland was eventually entirely surrounded by German-occupied territory, and Sweden also found itself completely enclosed within the German sphere, whereas Spain's geographic location potentially gave it greater independence, which Franco and his associates did not attempt fully to exercise.

The regime looked to Italy and Germany for technical assistance in war industry and in some other kinds of technical and industrial development, and was also hoping for capital investment. Such assistance was considered compatible with the declared program of autarky, which was not to be confused with isolation. The Spanish leaders did not fully grasp that the Italian and German economies were becoming so totally devoted to their own military production that there was little assistance to be had, and no surplus capital was being accumulated.

After the war began, the German government became eager for a new commercial agreement that would guarantee imports of raw materials. An agreement signed on 22 December 1939 provided for mechanisms of exchange, with the goal of equilibrium in the mutual trade balances of the two states. There was no agreement with regard to the large debt owed by Spain, and Madrid rejected a German proposal to use that debt as credit for the purposes of investment in the Spanish economy. An interministerial delegation to negotiate final terms of the debt arrived in Berlin in August 1940, and a confidential protocol eventually signed on 28 February 1941 formally recognized a debt of 372 million reichsmarks (RM).²⁷ The

Spanish had hoped for a major reduction, perhaps equal to the nearly 40 percent rebate granted by Mussolini. José Larraz, the finance minister, took a persistently tough line, arguing that the Civil War had been part of an international conflict, “precursor of the present world conflict,” and emphasizing both the military advantages and the “great advantages of a political nature” that Germany had gained from it. Franco stressed these same arguments at a major meeting on the problem at El Pardo on 14 November.²⁸ There was no general agreement on repayment, and in fact this issue would lapse until 1943–44.

The problem was that the Spanish economy desperately needed to import sizable quantities of petroleum, fertilizers, machine tools, and food, most of which Germany was unable to provide. Consequently, as mentioned earlier, the German agreement was quickly followed by new trade agreements with France in January 1940 and with Britain in March, which provided for extensive commerce, a British credit of £3 million, and also the requirement that no imported goods be re-exported. The Spanish government nonetheless was slow to make full use of these opportunities, even though they were desperately needed. Politics trumped economics, to the deteriorating well-being of the Spanish population.²⁹

During the first half of 1940 German officials negotiated what was called the Wagner-Aktion (named after the naval attaché in Madrid), a scheme to import ESP60 million of vitally needed Spanish raw materials. They were paid for by Spanish currency made available in return for earlier imports, as well as the sale of German airplane parts, and were transported by Italian ships and other blockade runners, as well as in a few cases by airplanes, the OKW providing five large Junkers and ninety transport planes, which flew 300 tons of key Spanish and Portuguese raw materials, mainly wolfram, to Germany during the first eight months of 1940. Germany also made use of the services of Juan March to purchase 25 percent of the shares in a key Spanish oil company, CEPSA. In general, however, imports from Spain declined from RM22.5 million in the third quarter of 1939 to RM1.6 million in the second quarter of 1940, before rebounding after the fall of France, with restoration of direct rail service, to RM12.4 million in the final quarter of that year.³⁰

Italy and Germany were able or willing to provide only limited technical assistance, extracted rather than provided capital, and could not supply the bulk of Spain’s vital imports, so the Spanish government increasingly came to request the export of military matériel from the Reich. Since Spanish military production was so limited, arms were also requested

from the Allies, who not surprisingly were very reluctant to supply them. Spanish representatives or delegations sought German arms and technical assistance, primarily for the air force, in May 1939 and in January and May 1940, but little was achieved before the fall of France.³¹

A series of negotiations went on throughout 1940 in which the Germans sought to extract maximal imports against minimal exports. Spanish negotiators made concessions on individual items, but the Germans never obtained the global agreement they wanted.³² Imports from Germany in 1941 would amount to only ESP52 million, against ESP161 million in Spanish exports, some of it foodstuffs, such as citrus and almonds, desperately needed at home.³³ Altogether the trade deficit in favor of Germany rose from RM122 million at the close of 1941 to RM249 million by 30 June 1943.³⁴ As the situation deteriorated in Spain, the government even sought, unsuccessfully, to negotiate a \$100 million loan from the United States in September 1940. The British credit was exhausted soon afterward, and a second loan was requested from London in November. Anglo-American economic relations only gained in importance.

The key German interests were concentrated in mining, but an audit at the end of 1940 found that 76 percent of the German investments in that sector had to be considered a loss. In April 1941 ROWAK, the German import consortium, "decided to close down all mining enterprises except all wolfram mines because of their importance for the war effort, and those iron ore, lead and tin mines which were making a profit by producing for the Spanish domestic market."³⁵ New mining investments were nonetheless being made in fluorspar in 1943 and the preceding guideline was never fully applied.

The regime passed a new mining law on 21 September 1942 which completely reserved to the state new claims on wolfram and tin in certain designated areas. Everywhere else all new claimants had to be either Spanish citizens or companies wholly owned by Spaniards. This requirement did not stop either the Germans or the Allies from filing new claims through Spanish front men. The most important new German effort was the *Compañía Española Somar, S.A.*, devoted to vital wolfram. In fact, Germany's lack of foreign exchange, the steep rise in the prices of wolfram and other necessities due to Allied competition, and inefficient mines with bloated overhead and personnel costs all created great difficulty for the German mining companies and the import program, for which the Spanish government would later provide a partial bailout through an advance of RM100 million on its Civil War debt in the autumn of 1943.

Germany was so hard put to satisfy Spain's economic demands that by 1942 news of larger Anglo-American supplies was received with some relief. By 1943 Berlin would find that the easiest way to provide exports was through the war matériel eagerly desired by Madrid, even though it was in short supply in Germany.