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PROBABLE DEVELOPMENTS IN SPAIN

Submitted by the

DIRECTOR OF CENTRAL INTELLIGENCE

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Concurred in by the

INTELLIGENCE ADVISORY COMMITTEE

on 12 June 1956. Concurring were the Special Assistant, Intelligence, Department of State; the Assistant Chief of Staff, Intelligence, Department of the Army; the Director of Naval Intelligence; the Director of Intelligence, USAF; and the Deputy Director for Intelligence, The Joint Staff. The Atomic Energy Commission Representative to the IAC, and the Assistant Director, Federal Bureau of Investigation, abstained, the subject being outside of their jurisdiction.

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PROBABLE DEVELOPMENTS IN SPAIN

THE PROBLEM

To assess the situation in Spain and to estimate probable developments.

CONCLUSIONS

1. The stability of the Franco regime has not been seriously threatened by the recent student and labor unrest. However, there are indications that a new political atmosphere has begun to develop in Spain. A wave of strikes has occurred for the first time in five years, urban workers and intellectuals have demonstrated a new boldness in their opposition to the regime, and some elements of the ruling coalition have become increasingly uneasy about the future. (*Paras. 12, 23-30*)
2. The student and labor opposition is likely to become more vocal and to exert increasing pressure upon the regime, largely because recollections of the terrors of the Civil War and fear of provoking new violence are losing their efficacy as a deterrent to opposition activity. Cleavages among Franco's supporters are likely to become more troublesome and the regime may be subjected to new strains over Moroccan policy. (*Paras. 31-33*)
3. Franco, at present, apparently favors Juan Carlos, the 18-year-old son of Pretender Don Juan, as the future King of Spain, but expressions of Falangist opposition to a monarchy have prompted Franco to proceed slowly. Even if Franco eventually arranges for a king to succeed him, this will merely provide for succession to the nominal leadership post he occupies as Chief of State. Among the aspirants to the real power Franco has acquired, no man stands out by virtue of ability, popular following, or Franco's favor. Moreover, no man stands out as the clearly favored choice of the army, the probable ultimate arbiter of the succession question. (*Paras. 28-29*)
4. We believe that the present regime will be able to remain in power for at least several more years, assuming Franco, who is now 63 years old, remains active. Should he leave the scene soon, we believe that the leaders of the various power groups which currently support the regime will agree on a successor to Franco. However, frictions within and among the various groups will almost certainly increase, as it is unlikely that Franco's successor will command the respect of the coalition as completely as Franco does. (*Para. 34*)
5. We believe there is a better than even chance that Franco's successor will be

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able to preserve domestic order for some time. However, over the longer run, any Spanish regime, including the present one, must face the problem of alleviating the rising dissatisfaction of the population. (*Para. 36*)

6. The Spanish economic situation has undergone considerable improvement over the past six years, but the rate of economic growth has been irregular, largely because of the vagaries of the weather. Inflation continues to be the most serious economic problem facing the government. Barring serious adverse weather conditions, the government is likely to be able to prevent a dangerous inflation over the next few years, though its ability to do so over the long run is uncertain. (*Paras. 40, 44*)

7. Less than half the approximately \$425 million of US economic assistance has as yet entered the Spanish economy. It has been used primarily to cushion the econ-

omy from the loss of foreign exchange earnings resulting from reduced agricultural exports caused by the droughts of 1954 and 1955 and the severe freeze of 1956. US aid has enabled Spain to maintain a relatively high level of investment and to build up its gold and dollar reserves. (*Paras. 41-43*)

8. The Spanish armed forces are firmly under Franco's control and are capable of maintaining internal security. Chiefly because of US assistance, the capabilities of the Spanish forces will almost certainly improve. However, Spanish military forces will continue to remain incapable of defending their country against an invasion in force. (*Paras. 14, 45-55*)

9. So long as Franco retains control of the Spanish government, present US-Spanish ties will almost certainly be retained. We believe that any probable successor government would not repudiate the bilateral agreements. (*Paras. 59-60*)

DISCUSSION

I. INTRODUCTION

10. Spain occupies an unusual position in Western Europe. Whereas most of its Western European neighbors possess liberal democratic governments, advanced economies, and relatively well-educated and technically skilled citizenries, Spain is an authoritarian regime, nearly half its citizens are illiterate, its social structure is rigid, and its economy is retarded.

11. Spain has now emerged from the diplomatic isolation which was imposed by the victorious powers of World War II because of its regime's association with the German and Italian governments. The United States has extended military and economic assistance to Spain in order to supplement bases and arrangements already established in Western Europe and North Africa for the defense of

the North Atlantic Treaty area. Thus, Spain, though not a member of NATO, forms a link in its defense. Despite substantial reservations on the part of many NATO members over the desirability of association with the present Spanish regime, the US agreements with Spain for the construction and joint use of bases have been accepted by the NATO powers as part of West European defense arrangements.

12. There are indications that a new political atmosphere has begun to develop in Spain. Urban workers and intellectuals have exhibited a new boldness in their opposition to the regime. Some of the groups backing Franco have become increasingly uneasy about the future. While Franco's position still appears secure, there can be little doubt that changes in the temper of Spain have occurred.

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II. POLITICAL TRENDS

The Franco Regime

13. Political power in Spain is centered in the hands of General Francisco Franco, who came to power as a result of the victory of rightist forces in the Spanish Civil War (1936-1939). He heads an authoritarian regime which in general has the support of the army, the church, business and landholding interests, and the Falange Movement. The stability of the regime, which has not been seriously threatened since its establishment, is a tribute to Franco's skill in handling the often conflicting interests of the groups which supported him during the Civil War, in repressing liberal and leftist elements, and in playing upon popular fears of a recurrence of civil war.

14. The key element of Franco's support is the army. Franco needs it to perpetuate himself in power, and he has been generous in filling its budget requests and in granting special privileges to its top officers, who are represented at the highest levels of government. The army and the police are firmly under Franco's control, and their leaders appear convinced that their interests can best be served by supporting Franco.

15. Franco and the Catholic Church appreciate their community of interests. The Church hierarchy is indebted to him for numerous political, economic, and social privileges, and for restoring the Church to a position of power and prestige it had not enjoyed for a century prior to the Civil War. The Church in return uses its influence over the faithful to help maintain the Franco regime in power. However, there is considerable criticism of Franco's policies among a relatively liberal segment of the Catholic clergy and laity. This segment advocates economic and social reform measures and realizes that intimate collaboration with the regime makes the Church share responsibility for government actions, with the accompanying danger of violent anticlerical reactions if the regime should collapse.

16. Business and landed interests have also benefited from the regime's policies. Franco's agrarian and fiscal policies have been pri-

marily designed to enable these interests to retain their traditional social and economic hegemony. He has suppressed labor agitation and has protected property and investments. While some businessmen and landowners are critical of the regime and resentful of state control over the economic life of the nation, they consider the Franco regime a distinctly lesser evil than an alternative government which might confront them with economic, political, and social changes.

17. The Falange, dominated by Franco, is the only legal party in Spain. Although most Spaniards have at least nominal affiliation with the Falange, it has never gained mass support nor dominated the Spanish political scene to the extent that the Fascist and Nazi parties did in Italy and Germany. Its political power and influence are further weakened by internal frictions. The moderates, who are in the majority and whose leaders are primarily concerned with perpetuating their positions in the bureaucracies, are opposed by a militant "Old Guard" faction, which still advocates sweeping social reforms and a nationalistic, Fascist-type state. Although Franco pays lip service to the "Old Guard," he does not actively support its program. The Falange Movement, taken as a whole, has little dynamism, and its political influence in determining policy is not great.

18. Franco uses the Falange to control the vertical syndicates in which Spanish labor, management, and government are represented, to channel political activity, and to counter the views and power of other groups supporting him. The Falange is at odds with the Church over matters of social reform and education policy, with the army over foreign policy, control of the police system, and over how to deal with the opposition, and with landed and business interests over administration of much of the economic life of the nation. Franco has kept these conflicts under control chiefly by playing upon his supporters' fears that he is all that stands between them and anarchy.

Opposition

19. Despite Franco's success in maintaining domestic order, discontent is widespread. In

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addition to the conflicts within and among the groups which support him, the vast majority of all other Spaniards are either apathetic or critical of the Franco regime. Economic difficulties beset nearly all Spaniards who do not belong to the privileged ruling groups. The level of living of the majority of the people is very low, and there is only a small middle class standing between extremes of wealth and poverty. Inflationary pressures have plagued the economy since the Civil War with white collar and other fixed income groups being the most severely squeezed. Moreover, skilled workers are resentful because of the constant narrowing of differentials between their wages and those of unskilled workers. The regime's major brake on inflationary pressures, a general wage freeze, which is adjusted only belatedly to increases in the cost of living, is generally unpopular and will probably become increasingly difficult to maintain.

20. Hostility to the regime is particularly strong among the urban workers, the majority of whom are anticlerical and probably retain their Anarchist or Socialist sympathies. Rural labor is for the most part illiterate and politically apathetic, but even this group is capable of being stirred to violent extremes. Most students and other intellectuals are anti-Falangist and are particularly resentful of the regime's educational and censorship policies. Thus far, all these groups have been generally throttled by police action and weakened by their own disorganization and lack of leadership.

21. The political parties which provided the main support for the Republic have been outlawed and rendered ineffective by the Franco regime. Those organized opposition groups which do exist (chiefly the Anarchists, Socialists, and Basque Nationalists), are either forced to maintain a precarious clandestine existence within Spain or carry on their limited political activities from abroad. They are weak and demoralized largely because of the strong position of the Franco regime, the growing estrangement between the domestic opposition leaders and those in exile, the paucity of financial and moral support from their members or foreign sympathizers, and

the increasing acceptance of the Franco regime by the Western democracies.

22. The Communist Party is outlawed and relentlessly pursued by the Spanish government, and it is ostracised by the non-Communist opposition groups. There have been no known Communist-led strikes or acts of sabotage since 1948, and the party's present capabilities are slight. Estimates of Communist party membership vary, but hard-core membership is probably about 3,000. The number of Spaniards who might swell the ranks of the Communist Party in the event of a relaxation of controls is estimated at between 20,000 and 25,000.

Current Political Problems

23. *Student unrest.* Intellectuals have increasingly manifested their hostility to the Franco regime during the past six months. A poll of Madrid University students, undertaken by the apparently uneasy government in October 1955, revealed how little the regime and particularly Falangist propaganda had influenced Spanish youth. Eighty-two percent of the students criticized the government, army, church, and educational leadership, and 65 percent predicted that Spain would eventually have a socialist government. On 18 October 1955, about 2,000 Madrid University students, in a public demonstration, expressed their desire for greater intellectual freedom.

24. Serious student disorders in February 1956, resulting from enmity between Falangist and anti-Falangist students, led the government to use force to quell them, to close the University of Madrid temporarily, and to replace a number of moderate Falangist leaders, including the Secretary General of the Falangist party and the Minister of Education, with "Old Guard" adherents. However, the latter were apparently unable to procure Franco's backing for heavy sentences against the anti-Falangists implicated in the riots. On the other hand, the army held the Falange responsible for the disorders.

25. *Labor disturbances.* Urban labor, traditionally hostile to the Franco regime, has also, during the past six months, been less inhib-

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ited than formerly about expressing its discontent. Worker protest over rising prices and inadequate wages began to increase in late 1955, and minor demonstrations broke out early in 1956 in Barcelona, Seville, and Valencia. Apparently sensing that the February student riots might precipitate labor demonstrations, Franco granted the workers a highly publicized wage increase of 20 percent. However, this apparently did not satisfy them, and in April of 1956, the most serious strike wave since 1951 broke out in Pamplona, spreading to other major cities in the Basque Provinces and to Barcelona.

26. Prompt police action and threats of repression by the government coupled in some cases by an acquiescence in further wage increases by the employers, ended the first strike wave. Many workers remained disgruntled, however, and subsequently resorted to slow-down tactics, a maneuver to which the government responded by closing the most seriously affected plants. As a result, up to 50,000 factory workers were unemployed at the end of April in the Basque Provinces, and slow-downs were continuing in some plants. By late May most plants were operating at normal capacity.

27. *The Moroccan problem.* The militant Falangists, because of their strong nationalism, and the top army officers, because of their strong sentimental ties to the area, were extremely disappointed over the failure of Franco's Moroccan policy. For a number of years the regime had been attempting to weaken the French hold over Morocco and to extend Spanish influence throughout the area. However, when France, in March 1956, in effect recognized the independence and unity of Morocco, there was little Spain could do but follow suit as gracefully as possible.

28. *The succession problem.* In the light of the series of incidents of the past six months, even greater importance than before is being attached, particularly among those elements supporting the regime, to the problem of who will succeed Franco. Spain has been a nominal monarchy since 1947 when the Law of Succession gave Franco the right to nominate

a monarch, and, if necessary, a regent to succeed him as Chief of State. However, Spain still has no monarch, and it is clear that Franco is not yet prepared to surrender power, or even a share of power. Franco, at present, apparently favors Juan Carlos, the 18-year-old son of Pretender Don Juan, as the future king and has to some extent been grooming him for the office, but expressions of Falangist opposition to a monarchy have prompted Franco to proceed slowly. In general, the idea of restoration of the monarchy is not widely supported, and the choice of a monarch and the constitutional arrangement under which he would reign create a further diversity of opinion.

29. Even if Franco eventually arranges for a king to succeed him, this will merely provide for succession to the nominal leadership post he occupies as Chief of State. The essential problem, that of designating a successor to take over the real power he has acquired, will remain. Among the aspirants to this power, no man stands out by virtue of ability, popular following, or Franco's favor. Moreover, no man stands out as the clearly favored choice of the army, the probable ultimate arbiter of the succession question. In view of the fact that Franco must play one group of supporters off against the other in order to maintain his own position, it is virtually impossible for him to name a successor to his real power without aggravating frictions among the regime's supporting groups. Even if a successor were designated, there is no assurance he could exercise Franco's real power.

Probable Political Developments

30. Continued political stability depends largely upon the continued good health and political acumen of Franco, who is now 63 years old. We do not believe that events of the past six months have resulted in any significant loss of support for Franco among elements upon which he depends for power. Although apparently shaken by the recent unrest, Franco displayed much vigor and skill in moving to re-establish discipline. While new flare-ups and continued manifestations

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of disaffection are probable, we believe that large-scale defiance and disorder are unlikely in the near future. If they are attempted during the next several years, we believe that Franco, with firm army backing, can quickly suppress them.

31. However, student and labor opposition is likely to become more vocal and to exert increasing pressure upon the regime. The student demonstrations and labor's recent defiance of the regime indicate that recollections of the terrors of the Civil War and the fear of provoking new violence are losing their efficacy as a deterrent to the activity of opposition groups. Also, Spain's developing association with the US and Western European democracies almost certainly will increase the internal pressures for political and intellectual liberalization.

32. Moreover, cleavages among Franco's supporters as to how to deal with these pressures are likely to become more troublesome. Antagonism between the army and the Falange may increase. Should the pressure of events, such as new student unrest, serious labor disturbances, or the succession problem, bring this divergency to a head, Franco would probably side with the army against the Falange. In the unlikely event that the Falange should break with Franco, the army would almost certainly keep the present regime in power and strengthen its own political position.

33. The regime may also be subjected to new strains over Moroccan policy. In working out final details on the relinquishment of its zone of the protectorate it is expected that Spain will attempt to retain those portions of territory over which it exercises direct sovereignty—an Atlantic coastal enclave and five city or island garrisons along the Mediterranean.¹ However, Moroccan nationalists will almost certainly increase their agitation for control of these Spanish possessions in the Moroccan area. The Spanish government is apparently split on this issue. The Foreign Ministry favors withdrawal; the army insists that Spain at least retain its coastal garrisons. Franco will probably side with the army

¹ Ifni, Ceuta, Melilla, Penon de Velez de la Gomera, Penon de Alhucemas, and the Charafinas Islands.

and attempt to hold the possessions as long as possible.

34. We believe that the present regime will be able to remain in power for at least several more years, assuming Franco remains active. Should he leave the scene soon, we believe that the leaders of the various power groups which currently support the regime will agree on a successor to Franco because they appreciate the necessity of unity to prevent the emergence of a leftist alliance. The conflicts among the major elements supporting the regime are not irreconcilable. However, frictions within and among the various groups will almost certainly increase, as it is unlikely that Franco's successor will command the respect of the coalition as completely as Franco does.

35. The Falange, because it is insecure about its own future, poses the main threat to the continued unity of the governing coalition after Franco leaves the Spanish scene. The Falange has clearly discernible conflicts with each of the other main groups of the regime. Although the Falange represents a variety of conflicting interests which make it impossible for it to have a coherent social and economic program, it is the major channel of patronage in the regime. Job holders in the bureaucracy and in the labor syndicates owe their positions to the Falange. While many of the civil servants and the office holders in the organization itself are uninterested in the Falange's ideological pretensions, they are fearful that they would lose their positions if the Falange should be eliminated. While the Falange is unlikely to challenge the army under normal circumstances, it might resort to violence if the army moved to take away its prerogatives. Out of sheer desperation, the Falange might appeal to the workers for help. Although most workers dislike the Falange syndicates, they might consider the opportunity favorable to settle old scores with the rightist coalition and then make an independent bid for power. In this event, widespread disorder and prolonged instability would probably occur.

36. We believe that there is a better than even chance that Franco's successor will be able to

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preserve domestic order for some time. However, over the longer run, any Spanish regime, including the present one, must face the problem of alleviating the rising dissatisfaction of the population.

37. Over the next few years the Communists will continue to promote unity of action with other opposition groups, but it is highly unlikely that they will succeed in these efforts. In the immediate post-Franco period, we do not believe that the Communists would have even a remote chance of seizing control or that they would be able to overcome the antipathy to their cause existing among other opposition parties. However, during a period of prolonged instability, the Communists would probably be able to exploit the discontent among the poor and thereby increase the party's influence considerably.

III. ECONOMIC TRENDS

38. Almost 50 percent of the Spanish labor force is engaged in agricultural pursuits. Wheat, olives, grapes, and citrus fruits are the principal agricultural products. Livestock raising, particularly sheep, and fishing are also important. Spain also produces many minerals (coal, iron, mercury, potash, and copper) and a wide variety of manufactured goods. Industry and agriculture each contributed about one-third of the gross national product, which for 1955 was estimated at \$7.6 billion.

39. Although the Spanish economy has considerable potential for growth and industrial development, deep-seated weaknesses make the realization of this potential difficult. Spain is the driest country in Europe, with a broken terrain and poor soil. The scanty and irregular rainfall has severe effects on the entire economy because of the resulting wide fluctuations in agricultural output and power available to industry. The Spanish economy is more backward and the level of living is lower than that of any Western European country except Portugal. An overly large section of the labor force is engaged in low-yield agricultural pursuits. Spanish industry, which is insufficiently integrated and characterized by relatively small, inefficient

and antiquated units, is hampered by periodic shortages of electric power and industrial raw materials, by a lack of modern equipment, and by inadequate rail and highway transportation systems. In addition, Spain has a chronic foreign payments problem largely as a result of fluctuations in the price and volume of agricultural products available for export.

40. The Spanish economic situation has undergone considerable improvement over the past six years, but largely because of the vagaries of weather the rate of economic growth has been highly irregular. (See figure 1, following page.) Although between 1950 and 1955, Spain's gross national product (in constant prices) is estimated to have increased by 42 percent, the annual increases have fluctuated widely, varying between 20 percent in 1951 and 2.6 percent in 1955. It is estimated that Spain's GNP will increase by only 1.5 percent in 1956. The rapid improvement in the early part of the 1950-1955 period was due primarily to favorable weather and the favorable terms of trade enjoyed during the Korean War period.

41. US economic assistance in the form of loans, grants, and the sales for pesetas of US surplus agricultural commodities did not begin to play an important role in the changing Spanish economic situation until 1954, and the full impact of the US assistance program has not yet been felt. Less than half of the approximately \$425 million of economic assistance has as yet entered the Spanish economy. It has been used primarily to cushion the economy from the loss of foreign exchange earnings resulting from reduced agricultural exports caused by the droughts of 1954 and 1955 and the severe freeze of 1956. US aid enabled Spain to increase its imports of foodstuffs to meet emergency needs and still maintain the normal level of imports of industrial materials and capital equipment.

42. Following the signing of the US-Spanish bilateral agreements in 1953, the rate of gross investment began to climb sharply. Whereas gross investment averaged only about 8 percent of GNP between 1947 and 1953, it rose to 12.4 percent in 1954 and to 15 percent in

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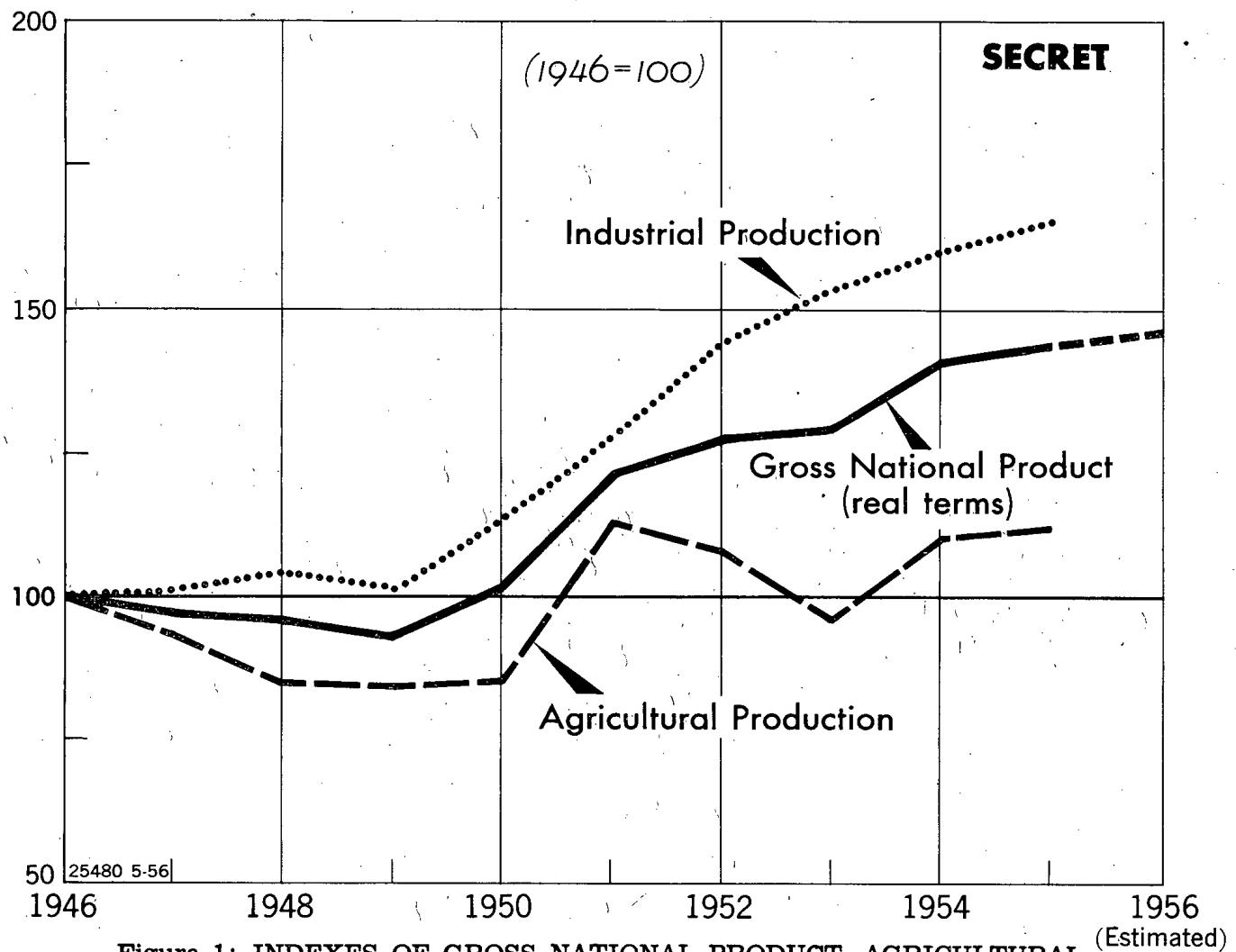


Figure 1: INDEXES OF GROSS NATIONAL PRODUCT, AGRICULTURAL PRODUCTION, AND INDUSTRIAL PRODUCTION — SPAIN

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1955.² Much of the increase has been public investment in public works, roads, communications, etc., and largely accounts for the central government's growing budget deficits (\$14 million in 1953; \$210 million in 1954; \$217 million in 1955). The rate of investment is likely to remain at around 15 to 16 percent of GNP during the next few years.

2, 43. US aid receipts during fiscal 1954 and 1955 have enabled Spain to build up its gold and dollar reserves by about \$71 million to a total of \$221 million by December 1955. This was partly because normal capital movements (foreign private loans and investments, etc.) during this period resulted in a \$37 million surplus and partly because Spain's earning on invisible account (tourist expenditures, shipping receipts, immigrant remittances, etc.) with the US almost covered its trade deficit with the US.³ Because of extraordinary imports under the aid program, the current account deficit will probably rise substantially in the next several years. However, Spain will be able to build up its reserves somewhat more by substituting imports under the aid program for a part of its normal imports from the dollar areas.

44. Despite the marked improvement in production which has taken place in Spain in the last few years, inflation continues to be the most serious economic problem facing the Spanish government. Though the government has attempted to control wage rates and influence the price at which imported basic foodstuffs and goods were sold, the official cost of living index for 1955 showed a 68 percent increase over 1946. (See figure 2, following page.) By pre-1951 standards, however, the percentage of increase in the cost of living during 1955 was not alarming (four percent over 1954). Current inflationary pressures,

² The rate of investment has not yet reached the point where any appreciable part of two million surplus workers in agriculture are beginning to be absorbed into the industrial labor force. The increase in employment resulting from the growth of investment was sufficient, however, to absorb the increment to the labor force, and thereby prevented an increase in agricultural underemployment.

³ In 1954, the current account deficit was \$14.5 million; in 1955, Spain had a surplus of \$700,000.

which are generated by the drive for economic development, are likely to be more difficult to control than those which arose out of temporary shortages in the pre-1951 period. Where worker protest in the former period was apparently directed at obtaining wage increases merely to offset the unceasing rise in prices, the most recent strikes suggest that workers in the most advanced industrial cities are pushing for a better standard of living. Prospects for greater availability of imported capital equipment and raw materials are also beginning to encourage the private sector of the economy to expand capacity. Barring a serious drought in 1956 or 1957 or a repetition of the damaging cold wave of early 1956, the government is likely to be able to prevent a dangerous inflation over the next few years, though its ability to do so over the longer run is uncertain in view of the changing psychology of labor and the business community, the government's industrialization drive, and the general inefficiency of the government's monetary and fiscal control mechanisms.

IV. MILITARY CAPABILITIES

45. Spain's principal military contributions to the defense of Western Europe are its adherence to the US-Spanish bilateral agreements and its strategic geographical location on the southern flank of Europe. The Spanish armed forces are capable of maintaining internal security, but would be unable to resist successfully an invasion in force. However, they could delay an invasion through the Pyrenees and provide security for lines of communication. Their offensive capabilities are slight.

46. *Army.* The Spanish army numbers 335,000 men organized into 19 divisions — 1 cavalry, 1 armored, 4 mountain, 12 infantry divisions, and 1 special mixed coastal group of division size — and numerous independent brigades, regiments, and battalions. An additional four infantry divisions could be formed by grouping existing units in Spanish Morocco. The actual strength of the infantry and mountain divisions is 5,600 and 9,000, respectively, although table of organization strength is 8,900 and 11,800. About two-thirds of the army are professional soldiers, while

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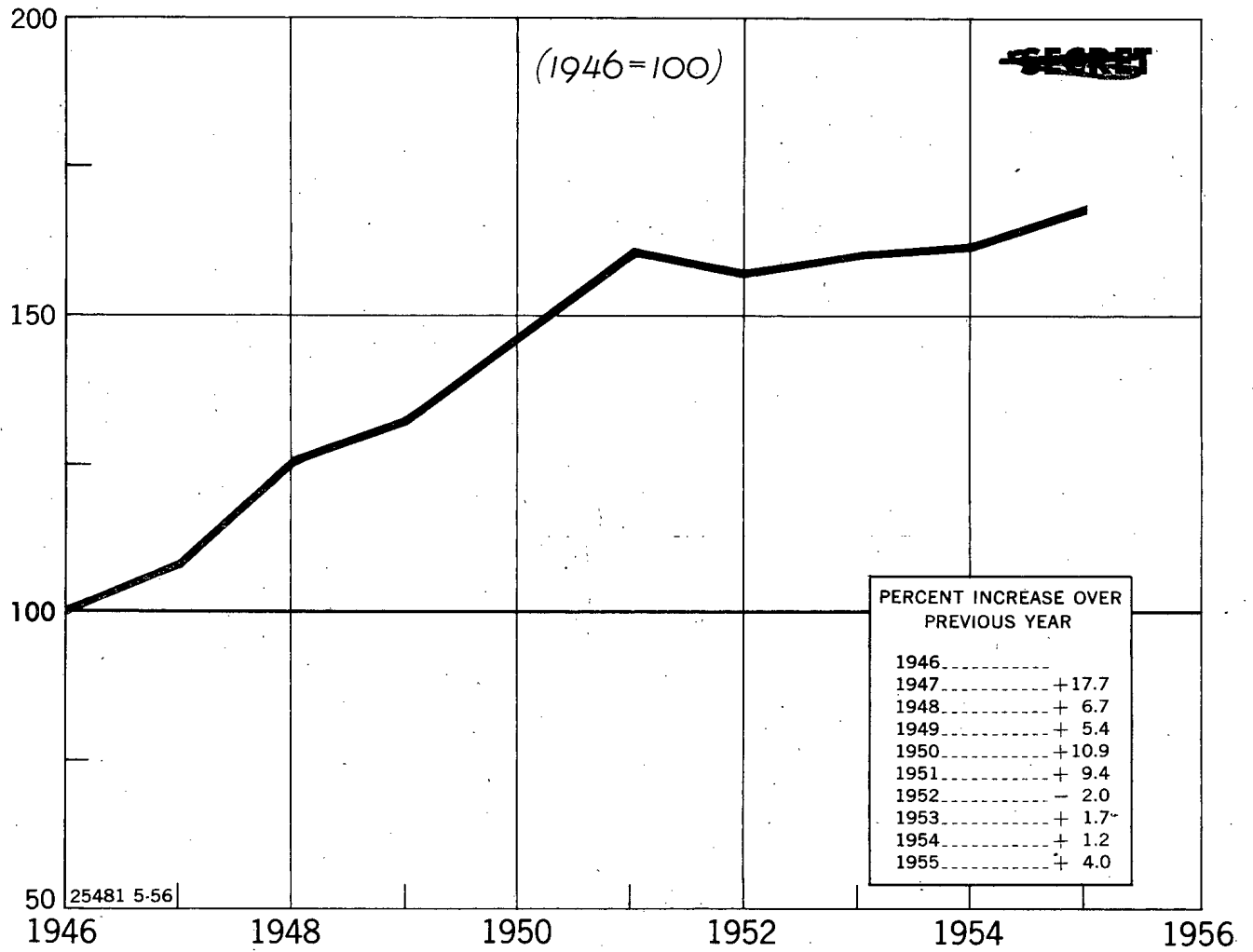


Figure 2: INDEX OF COST OF LIVING — SPAIN

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the remainder are two-year draftees. Army-trained reserves are estimated at approximately 1,030,000, but their mobilization would be hampered by the lack of heavy equipment.

47. The army suffers from training deficiencies and lack of modern weapons and equipment. The troops are tough and well disciplined, and the number of officers with combat experience is high. Although the quality of leadership is generally good, there is an undue number of over-age officers in the top echelons. Infantry weapons and field artillery pieces up to medium calibre are sufficient for current army needs. However, heavy artillery, self-propelled guns, armored vehicles, and dependable motor transport are insufficient for sustained combat operations. Spanish industry produces sufficient light weapons for the army but is incapable of producing tanks, medium and heavy artillery, and military vehicles in quantity. The army is capable of maintaining internal security, but not of resisting successfully an invasion in force. Its offensive capabilities are negligible.

48. United States materiel assistance to the Spanish ground forces is intended to equip three infantry and two mountain divisions as well as two AA regiments. The modernization of these units, all located in the region of the Pyrenees, is intended to increase the defensive stature of Spain against aggression from continental Europe. The increase in effectiveness of these units will not necessarily reflect a correspondingly improved military posture throughout the army. However, the receipt of MDAP equipment has made the Spanish army more aware of the need for logistical planning and technical training — two basic weaknesses; thus, it is estimated that United States aid, directly and indirectly, will result in a slow, moderate improvement in the capabilities of the Spanish ground forces.

49. *Navy.* The personnel strength of the Spanish navy is approximately 36,000 officers and men, including about 7,900 members of the naval infantry. Vessel strength includes 5 old cruisers of various classes, 21 destroyers, 6 submarines, 21 escort and patrol vessels, and 21 mine-warfare vessels. Combat effec-

tiveness is limited by want of experience in naval warfare and by lack of POL reserves, modern electronic detection gear, AA and ASW armament, and mine countermeasures equipment. At present it has almost no capability to meet its primary mission which is defensive in nature.

50. However, the capabilities of the Spanish navy, chiefly because of US assistance, will probably improve somewhat over the next few years. Although US funds have been made available to expand naval facilities for US-Spanish use, the program has proceeded slowly, because of differences in operating procedures and interpretation of the agreements and because of adverse weather conditions. Work on the naval air station and other facilities at Rota is only about eight percent completed, and projected construction work on the naval facilities at Cartagena, El Ferrol, and Mahon has not yet commenced, although land is being acquired at Cartagena and El Ferrol. (See map.)

51. The US aid program also includes installation of modern weapons systems on board present Spanish navy ships and others under construction, and an MDAP-supported building program which includes 7 escort destroyers, 4 submarines, 9 escort and patrol vessels, and 4 minesweepers. Although the modernization and building plans are only beginning and will not be completed for several years, we believe that the net effect of the entire program will be to help make the Spanish navy capable of some patrol, escort, ASW, minelaying and sweeping, unit AA defense, and submarine operations.

52. *Air Force.* The current capabilities of the Spanish air force are negligible because of obsolete equipment and insufficient experience in tactical operations. At present, there are 35,000 men in the air force including 1,000 trained pilots. This air force has approximately 760 aircraft, mainly obsolete and foreign piston types, about 135 of which are combat ready.

53. During the past 18 months there have been minor improvements in air force capabilities owing principally to MDAP deliveries (30 jet trainers and 40 F-86Fs) and training.

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These capabilities are expected to improve further over the next several years. By 1957, the Spanish air force is scheduled to be equipped with 7 squadrons of jet fighters (F-86F), 1 logistical support squadron (C-47), and 1 air sea rescue squadron of amphibians and helicopters. By 1958, the seven fighter squadrons will have attained a substantial degree of combat readiness thereby contributing to Spain's air defense capability. The Spanish aircraft industry, with US assistance, will be able to provide partial maintenance support for the newly equipped air force.

54. Construction and improvement of Spanish airfields is progressing at a fairly rapid pace, with principal emphasis directed toward those fields covered by the US-Spanish Base Agreement and financed with US funds. (See map.) In addition other major airfields, civil and military, are also being expanded and improved primarily from Spanish funds. A significant element in this airfield complex will be an extensive system of POL pipelines, storage depots, pumping stations, and related facilities. By 1959, completion of the airfield program will not only improve Spain's own air defense capabilities but also provide an airbase complex for heavy bomber operations.

55. *Quasi-Military Forces.* The Spanish national police forces are directly controlled by Franco's Minister of Interior. They include the uniformed Civil Guards (52,000), the Armed and Traffic Police (24,000), and the plainclothes General Police (7,200). The two former are quasi-military organizations and in time of national emergency would be quickly integrated into the army. The quality of the police personnel is fairly high, and they are feared because of their extraordinary powers. The Minister of Interior has indirect control over the unarmed urban police, who are normally recruited from the Falange by municipal authorities, and over the rural Home Guards.

V. FOREIGN POLICY

56. Franco's foreign policy over the past decade has been aimed at extricating Spain from the political quarantine established following

World War II. Between 1946 and 1948, many states, upon the recommendation of the UN, withdrew their chiefs of diplomatic missions from Madrid, France closed the Pyrenees border, and the US excluded Spain from Marshall Plan aid. Franco has been remarkably successful, particularly during the past three years, in overcoming Spain's diplomatic isolation and raising its international prestige. He successfully cultivated close relations with most Latin American countries, the Arab States, and Portugal, and concluded a Concordat with the Vatican. His single most important foreign policy achievement was the conclusion in 1953 of bilateral economic and defense agreements with the US. In 1955 Spain was admitted to the UN and acquired observer status in the OEEC. Today most nations outside the Soviet Bloc again maintain full diplomatic relations with Spain. However, Spain remains excluded from NATO.

57. *Relations with the US.* Spain's most important foreign ties are with the US. The 1953 bilateral agreement stipulated that the US would construct air and naval facilities for joint US-Spanish use, and would provide military end-item assistance, and economic and technical assistance. In 1955 an agreement was concluded concerning cooperation in the peaceful uses of atomic energy. In addition, the Spanish government authorized the US to participate in a joint survey of Spanish uranium resources.

58. Implementation of the bilateral agreements has resulted in some friction. Some spokesmen for the Falange, the Church, and the army still feel that the military agreements, by providing for the presence of US military personnel on Spanish soil, may infringe upon Spanish sovereignty and are a disturbing influence on Spanish society. Most high officials of the regime are more interested in the economic than the military aspects of the agreements and remain unsatisfied with the relatively small amount of economic aid allotted.

59. Although Spain will continue to press for a greater proportion of economic as compared with military aid, we believe that the US bilateral arrangements will continue to be implemented, and that the Franco regime will

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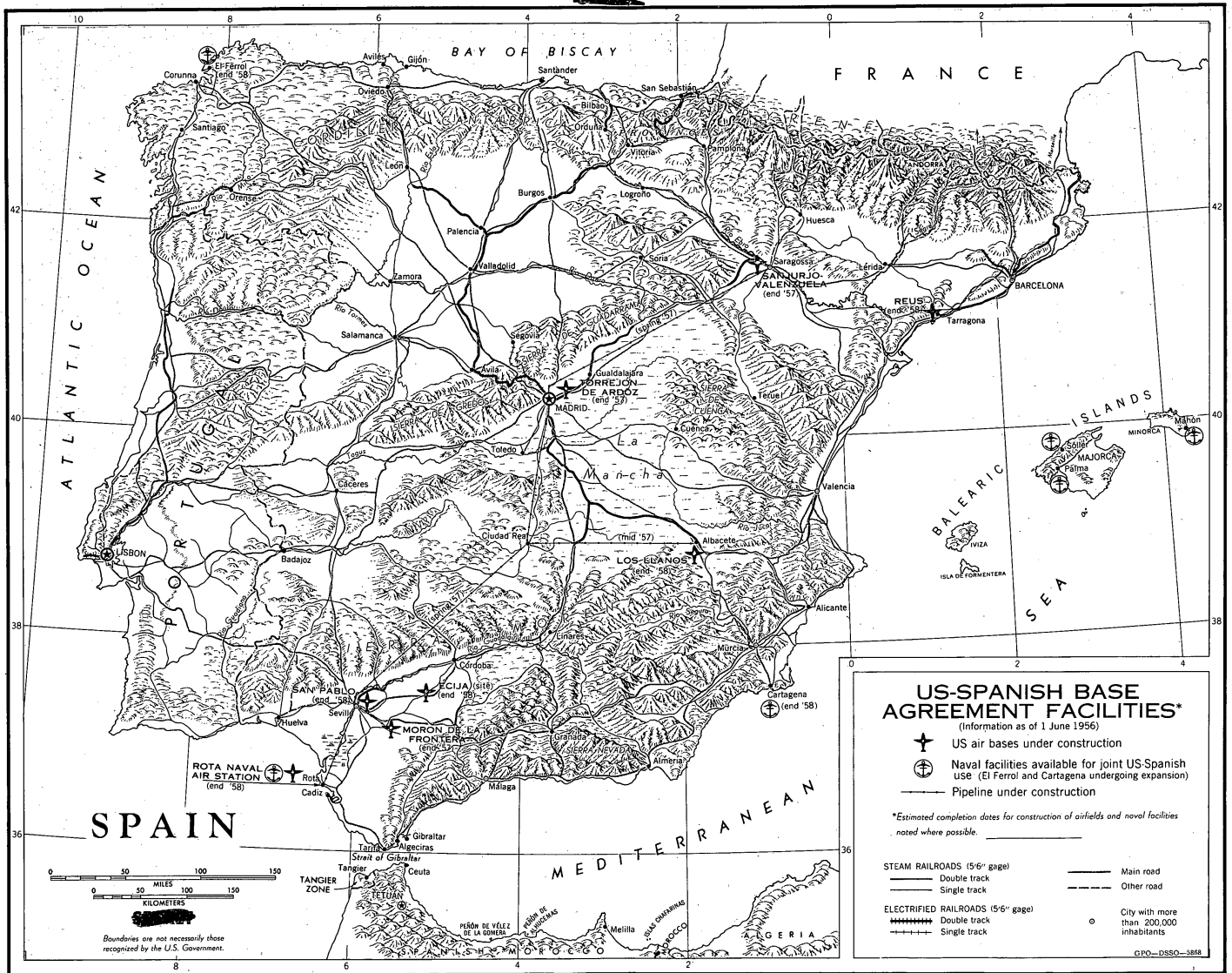
continue to cooperate with the US. We also believe, however, that the degree of cooperation will depend on the extent of continued US military and economic aid.

60. We are far less sure of the course of US-Spanish relations after the departure of Franco. The successor regime would be strongly influenced to continue the present arrangements because of the importance of US aid to the country's economic stability and growth. The successor regime's attitude would also be influenced by the degree of stability it achieved, the world situation existing at the time, and the nature and extent of available US aid. However, it is unlikely that the bilateral agreements would be repudiated by any probable successor to the Franco regime.

61. *Relations with NATO and the NATO States.* We believe that Franco desires to gain membership for Spain in NATO. His Foreign Minister recently stated that Spain is willing to accept an invitation to join NATO. However, in view of the lingering hostility of several of the NATO governments, any of which could legally veto Spain's application for membership, Franco is unlikely to have any early success.

62. Among the NATO members, Portugal is Spain's closest ally, and is likely to remain so as long as both Franco and Salazar remain in power. Although French and British hostility to Franco have declined, there are still serious problems which divide them from the Spanish regime and which would tend to prevent close cooperation in military and political questions of Free World or West European concern. Franco has succeeded in strengthening ties with West Germany, but with the remaining NATO members his relations, though correct, are not particularly close, nor are they likely to become so over the next several years.

63. *Relations with the Soviet Bloc.* There is no diplomatic or open commercial contact between Spain and the Soviet Bloc. Franco is bitterly anti-Communist and anti-Soviet. While it is possible that, under pressure of lucrative trading arrangements or a promised release of the Spanish Republican gold, the Franco regime might at some time be induced to normalize commercial relations, it is unlikely that any real improvement in Spanish-Soviet relations will be brought about under the present Spanish regime.



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