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Angel Viñas

Gold, the Soviet Union, and the Spanish Civil War

The methods employed to transfer and use the vast resources of Spanish gold for financing the Civil War were one of the most closely-guarded state secrets during the Franco era; the facts were known to a very limited number of cabinet officers and highly-placed officials of the Franco regime. Personal contacts and certain bizarre circumstances permitted the present writer access to various confidential archives where the still classified documents are kept, thus making possible a reconstruction of the financing process. We will summarize here certain basic data, combining documents in these archives with new evidence emanating from the files of Dr Marcelino Pascua, republican ambassador to Moscow from September 1936 to March 1938.

I am indebted to Professor Enrique Fuentes Quintana, who resigned as vice-president of the government in February 1978; to Professor José Ramón A. Rendueles, former under-secretary of financial economics in the ministry of finance, former secretary of state under Fuentes Quintana and, subsequently, governor of the Bank of Spain; to Dr Marcelino Pascua (deceased in Geneva in June 1977); Sr José Guillén; Sr Vicente Polo, commercial attaché in Moscow during the Spanish Civil War and sometime chargé d'affaires; also to Dr Luis Coronel de Palma, governor of the Bank of Spain, 1970-6. None of these persons, nor others not mentioned here and to whom I am most grateful, are responsible for errors incurred during research, or for interpretations which appear here.

Initial Mobilization of the Gold

The decision to use Bank of Spain gold reserves to finance the purchase of war matériel and, subsequently, other imports, was taken by the government of Professor José Giral, after first adopting two other, no less important measures: on 19 July 1936 orders were given to issue weapons to the workers’ organizations and, immediately thereafter, a plea for support was made to the French Popular Front Government of Léon Blum.

There were no socialists, communists or anarchists in the Giral Government. Its cabinet was unmistakably bourgeois, as had been the last peacetime cabinet during whose tenure the Republic’s international payments situation had made it necessary to sell gold to France; this was an entirely normal measure, widely known and discussed at the time. On 21 July Professor Enrique Ramos, minister of finance, who was responsible for past sales, approached the Bank of Spain asking that it lend gold to the government for a nominal total of 25,220,000 pesetas destined for intervention in the International market with the aim of stabilizing the peseta exchange rate — the only exception provided in the Banking Regulation Law for reducing official reserves of gold if other conditions were met, as was then the case. The product of the new sale would not, however, be applied to stabilize the exchange rate, but rather to obtain foreign exchange for military purposes. This formal violation of the prevailing legality was the first of many which the Republican Government was to be compelled to carry out in financing the war. It was not until 29 April 1938 that it issued a classified decree (regarding which nothing was ever said during the Franco era), concerning the sale of gold and silver for such ends.

The Bank of Spain (not nationalized until June 1962) was not then a state bank, and the fact that the government only had legal access to gold reserves for certain monetary policy purposes is a line of reasoning (constantly wielded by the Franco regime) whose validity was merely theoretical in the midst of war. Indeed, any such validity was entirely lacking in the light of financial needs during a war in which recourse to gold and silver by both sides emerged as the condition for victory or resistance. Here, it should be noted that while the insurgents promoted a new legality from 24 July 1936, the Republican Government opted to maintain the fiction of juridical normalcy as far as was possible. This was the case not only...
Viñas, *Gold and the Spanish Civil War*

where the gold was concerned but also in numerous other areas. Suffice it to recall that the official declaration of a state of war by the Republic was not made until 23 January 1939, while Franco had issued his in Morocco on 18 July 1936 (the conventional date of the outbreak of war). Ten days later the Nationalist Defence Junta extended it to the whole of Spain.

The first operation to sell gold following the outbreak of hostilities was accepted by the Bank of Spain on 24 July, while in Paris the socialist deputy, Professor Fernando de los Ríos, attempted to obtain from the Blum Government the scarce war matériel initially requested. The first shipment of Spanish gold, valued at £144,000 sterling, reached the French capital on the following day.

Intervention of fascist powers on behalf of General Franco and the French retreat from commitments previously contracted with the Spanish Republic having been ascertained, Minister Ramos again approached the Bank of Spain and on 7 August, requested a loan of 25,220,000 pesetas gold, which was quickly granted. During the first half of August 1936, the pattern which would subsequently prevail with regard to financial relations between the governments of Paris and Madrid was quickly established. As of 8 August, Blum was to hamper exports of war matériel within the framework of the incipient non-intervention policy, but he would not be averse to lending vital support to the Republic by acquiring Bank of Spain gold in exchange for paper francs, thus enabling the Republic to obtain military supplies in other countries which had not yet adhered to non-intervention or had simply ignored it. Meanwhile the insurgents, who had paid in cash for certain Italian supplies, subsequently encountered few obstacles in securing support from Rome and Berlin on credit.

It was no secret that the Republic had begun to mobilize the gold. In a famous speech on 8 August socialist leader Indalecio Prieto alluded to the significance of Bank of Spain reserves for the war economy, and soon thereafter the Madrid magazine *Economía* indicated that certain exports of gold had already been made. Bank of Spain accounts which the writer has handled make it possible to fix the amount up to that time at £1,288,000 gold. The process was slow, but it gave rise to grave concern among the insurgents who, by a decree of 14 August 1936, termed such exports a crime of treason.

The financial measures taken by the Giral Government resulted in a classified decree of 30 August, regulating the use of foreign
currency destined for the financing of military requirements. Thus the cabinet appointed on 4 September, which included socialist and communists, continued to mobilize the gold along lines already set. Under the presidency of Francisco Largo Caballero, leader of the radical wing of the Socialist Party, with energetic support from Professor Juan Negrín, minister of finance, and the co-operation of Francisco Méndez Aspe (former under secretary to Ramos) in the strategic post of director general of the treasury, sales of gold to the Bank of France were to experience no apparent interruption; on 5 September Negrín signed the third agreement with the Bank of Spain, which had been prepared by his predecessor and by Méndez Aspe.

However, given the negative progress of military operations and the unavoidable need to increase military supplies from abroad, sales of gold to the Bank of France would thenceforth continue at an accelerated pace. The results of this mobilization, concerning which the French authorities appear never to have issued any statement, were important and as a consequence the Bank of France purchased, up to the latter part of March 1937, at least 26.5 per cent of the total transferable gold reserves held in Madrid at the outbreak of the Civil War.

The approach taken by the Largo Caballero Government was one of total war. This was translated with notable clarity into three fundamental elements: the process of forming the Popular Army while the authority of the state, which had collapsed during the violence of the summer weeks, was slowly restored; rectification of the trend followed abroad by the Republic, with the consolidation of closer ties with the Soviet Union which had already been initiated; and, lastly, consonant with the accentuated war effort, administrative, diplomatic and political measures looking towards establishment of bases for a more rapid and effective mobilization of Bank of Spain gold reserves.

While the first two aspects have been extensively covered in the available literature, the third has not been so favoured, notwithstanding the fact that crucial importance can be attributed to it as regards the war effort. Considering this third aspect, republican actions resulted in three sets of measures: evacuation of gold reserves from Madrid; accelerated pace of sales to the Bank of France, and an innovative overall financing policy.
Movements of Gold Reserves

By August 1936, anarchist leaders had advised Giral to evacuate the gold from Madrid. The prime minister himself had given some thought to this, a fact systematically ignored by the Franco regime's propaganda, obstinately engaged in denouncing socialists and communists alike for the evacuation. Moving the gold from Madrid to depots at the Cartagena naval base was done not merely for reasons of safety in view of nationalist advances; the government soon heard rumours of a possible anarchist coup against the Bank of Spain, though these were eventually dismissed. In any event, on 13 September, a well-known classified decree authorized Negrín to move the stock of gold, silver and notes from the Bank's Madrid headquarters. The operation was initiated on the following day, when the general board of the Bank of Spain was notified. This body was simultaneously faced with the implementation of the decision.¹¹

The measure provoked the resignation of two board members who represented private shareholders and still attended meetings of the board (the others had already gone over to the insurgents). However, they did not prevent the loading of the gold, which was personally supervised by Méndez Aspe and safeguarded by the ministry of finance and militia forces. The first convoy departed from nearby Atocha railway station at 11.30 p.m. on 15 September, carrying 800 cases filled with bags of gold coins (indeed, the reserves consisted of gold coins classified by bags, this being intended to make movement and counting easier), and reached its destination at 2.30 a.m. two days later.

New shipments went forward immediately. These totalled 10,000 cases transported under maximum security conditions. Daily reports were sent from Cartagena on the development of the operation, which did not go unnoticed by the nationalists. Rumours proliferated but British diplomats, for example, delayed for some time in ascertaining the veracity of the reports.¹² From the first, the transportation of gold out of threatened Madrid was tinted by fantasy and myth; Franco propaganda on occasion interpreted it as an example of sinister designs entertained by Soviet marxists concerning Spain.

The evacuation itself was a success. The operation safeguarded the reserves and enabled rapid transportation of part of these to France by sea (shipment of lesser sums had been forwarded from
Madrid by air). On 26 September 250 cases of gold were shipped to Marseilles. These shipments to France (up to January 1937 they totalled 1,998 cases)\textsuperscript{13} were not kept secret and the French press commented on them on several occasions. A lengthy report in *Le Figaro*\textsuperscript{14} on 9 October 1936 reveals how much the Spanish nationalists and their French allies knew about the details.

Analysis of the particulars concerning transportation of gold to Cartagena and, especially, to France, has been somewhat overshadowed by the attention given in the literature to the subsequent decision to send the bulk of remaining reserves to Moscow — one of the most spectacular chapters of the Civil War, whose basic lines we will summarize.

By September 1936, it had been ascertained that the Soviet Union was abandoning its initial attitude of reserve. The socialist-majority Republican Government, of which Giral was also a minister without portfolio, was not long in strengthening a rapprochement initiated by Moscow. Marcel Rosenberg had arrived in Madrid on 27 August; a Soviet embassy was thus established in Spain for the first time since mutual diplomatic recognition had occurred on 27 June 1933. On 16 September, while the first loads of gold moved towards Cartagena, the creation of a Spanish embassy in the USSR was approved.\textsuperscript{15} Dr Marcelino Pascua, whose name had been mentioned for the post three years earlier, was appointed to head the mission.

The decision to ship the gold to Russia was adopted upon learning that Soviet aid was imminent; there is something of a controversy concerning the exact time at which it actually began. Even though Russian volunteers had already participated in combat by September, there is reason to believe that Kremlin measures to provide effective military support must have been slower and, of course, subsequent to aid given General Franco by Rome and Berlin. Further, more time elapsed between adopting the decisions and carrying them out in the Soviet case.

Pascua arrived in Moscow on 7 October, to find a complete Soviet volte-face concerning the Civil War, reflected in notes addressed at the time to the London Committee for Non-Intervention. The Spanish ambassador immediately realized that the Russians were fully aware of the Republic's grave military situation. He had instructions to promote active Soviet intervention (which perhaps would indicate that it had not until then been initiated) and, obviously, he was unaware that preparations for this were already
under way. From his reports to Madrid it appears that the mood of the Russian leaders towards him was highly co-operative. On 9 October, this was confirmed for him by V. M. Molotov, chairman of the Union Council of People's Commissars, and on the following day Dr Pascua was accorded an exceptional tribute (noted in the Soviet and Spanish press), attended by distinguished USSR leaders. It was then that L. M. Kaganovich, people's commissar for railways and secretary of the central committee of the Communist Party of the Soviet Union, informed him that Stalin was very much interested in Spanish events. Indeed the first shipment of Soviet war matériel arrived at Cartagena on 15 October aboard the Komsomol. By a curious coincidence, the German torpedo boat Luchs was able to observe the operation and photograph the unloading.16

It was on that precise date that Largo Caballero in Madrid informed Ambassador Rosenberg of the decision to ship some 500 metric tons of gold to Moscow as a deposit. Such a measure was not wholly precipitate. It had been ascertained during the first half of October that the nationalists were continuously active in issuing accusations to the effect that the gold was being sold, and ad hoc legal provisions had been taken. Added to this was the impact of the nationalists' representations in Paris, a press campaign in France and, finally, a curious official statement by General Franco himself (4 October) which combined juridical arguments, appeals for non-intervention, and veiled threats against recipients of the gold. The measure had leaked to the City of London: on 9 October Radio telegraph agency reported that certain English circles were aware of the fact that the Republican Government had decided to export part of the Bank of Spain reserves to Russia. Finally, the Madrid Government was already experiencing or about to encounter certain difficulties with western banks which were delaying transfers of funds urgently required by its agents and diplomats to purchase war matériel.

Reliant as he was on Soviet aid and aiming to lessen the impact of such nationalist measures, it is not strange, then, that on 17 October Largo Caballero should again inform Rosenberg that the Republican Government would carry out payment of certain orders placed abroad and effect transfers of foreign exchange. These operations would be conducted through banks connected with associates of the Soviet National Bank (Gosbank) and charged against the gold to be deposited in Moscow.17 Such measures were anything but improvised and would have required prior contacts.
between Largo Caballero and Negrín, as well as with Soviet embassy officials in Madrid. However, no documentary evidence of this has come to light.

Both decisions have been bitterly criticized in the relevant literature, where they are occasionally made to appear as submission to Moscow or as the beginning of an allegedly colossal exploitation of Spanish gold, instigated by Stalin. It cannot yet be documented whether this was an autonomous idea independently adopted by higher republican echelons, or a reaction to prior suggestions from the Soviets, perhaps from Rosenberg. None the less, it can be proved that on 19 October Pascua met with A. P. Rozengoltz, people’s commissar for foreign trade, to discuss the Spanish-Soviet commercial exchange. A few days later Pascua was invited to the latter’s dacha in the suburbs of Moscow, where he and G. F. Grinko, people’s commissar for finance, indicated to the ambassador the risk involved if the gold were placed in France. This would not be so in the USSR. Pascua had not been informed of the republican decision concerning the gold and reported the above to Madrid, where orders had already been given to proceed with the transportation. The shipment left Cartagena on 25 October.18

There exists a lively historiographical debate as to whether other ministers — apart from Largo Caballero and Negrín, who were more directly affected — participated in the decision. Prieto, then minister of navy and air, emphatically denied any participation, although such a statement does not appear too reliable. There is reason to believe that knowledge of the decision — which was taken following an uninterrupted number of shipments to France of which members of the government were fully aware — could not have been restricted to Largo Caballero and Negrín. The latter two doubtless proceeded with the utmost reserve, but mobilization of the gold would necessarily have been known to senior republican officials. Jerónimo Bugeda, under secretary of finance, was not unaware of the decision, nor was Méndez Aspe. Other testimony indicates that shipment was witnessed by representatives of the executive, legislature and judiciary, Girál among them.

With the benefit of documentary hindsight and a knowledge as to the manner in which the sale of gold sent to Moscow evolved, the present writer’s interpretation concerning the decision must necessarily differ from that generally found in the relevant literature. The emotional atmosphere in which the problem of gold
in the Civil War is usually analysed, at least by Spanish authors, together with anti-communist or anti-Stalinist attitudes, have coloured the numerous partisan treatments.

The present writer's interpretation emphasizes the following points. Deposit at Cartagena temporarily guaranteed the safety of the reserves. Immediate intensification of shipments to France increased the rate of mobilization, but not sufficiently so, given the inherently unstable political situation in France and possible effects of nationalist action. If the operation was carried out to enable conversion of the gold to foreign exchange, making possible its use, then France, England and Switzerland were unacceptable as possible recipients. Nor did the dubious United States constitute an alternative. The only two real possibilities were Mexico and the Soviet Union; of these, given the logic of the situation, and strategic conditions, the obvious recipient was the latter, even though the Spanish ministers who took the decision were not necessarily pro-communist.

Shipping the gold to Moscow guaranteed the possibility of achieving certain objectives connected with the unprecedented decision to place abroad a huge part of the reserves: freedom to dispose of the gold confidentially; the ease with which their countervalue in foreign exchange could be transferred through the Soviet apparatus in the west without fear of the funds being blocked; and the absolute secrecy which would shroud the operation. The decision may also have been designed as a further means of encouraging intervention after the International Brigades were formed, in a broad manifestation of leftist solidarity likewise promoted from the Kremlin. In the face of such possibilities, any drawbacks were of secondary importance.

On orders from the prime minister, the republican minister of finance (subsequently finance and economy) was to control mobilization of the gold. Only a very small group of highly-placed officials would have a general idea of the process, parts of which were to be carried out by a similarly limited group of officials loyal to Negrín. There appear to have been no communists among them. Many republican ministers were in the dark as to the development of the operation, and probably not even the Spanish Communist Party directorate was aware of it. The ambassador to Moscow, a man trusted by Negrín, was also kept uninformed as to certain of its aspects. The as yet only partial reconstruction is possible at the present time thanks to a combination of documents, those pre-
served by Negrín and delivered to the Spanish Government in December 1956, and those from the archives of Dr Pascua, which the present writer has been the first researcher to examine.

Spanish gold in Moscow

On 5 November 1936, N. N. Krestinsky, assistant commissar for foreign affairs, urgently requested permission to call on Dr Pascua. A substantial shipment of gold was about to reach Moscow and it was felt that the ambassador should be present at the necessarily complicated reception proceedings, to witness the circumstances in which Soviet authorities took responsibility for the shipment. A protocol was immediately established for the purpose of determining the procedure to be followed when receiving and verifying the shipment. Subsequently, Pascua and senior Soviet officials proceeded to the Precious Metals Deposit (Gokhran). The street where it was located had been closed to traffic and cordoned off by troops. At 3 o'clock on the morning of 6 November, the gold began to be received. It had been transported in four ships as far as Odessa, from there by rail to Moscow, and from the railway station in trucks; the cases containing the gold were placed in orderly piles in an enormous room which was locked and sealed when unloading ended. No damage whatever had been sustained by 5,619 cases; some damage was apparent in the wood and lacquered seals of 128 cases; another 33 were opened for checking. The latter 161 cases were placed separately in large bags so that each could also be secured with the lead seals of the ambassador and the Gokhran. Finally, on 9 November, the remainder of the shipment arrived — 2,020 cases — and the procedure was repeated. By means of a special code, Pascua immediately notified Méndez Aspe that the gold had arrived, and on 19 November, through normal channels and under maximum security, he supplied full details to minister for foreign affairs Julio Alvarez del Vayo.

The four Spanish officials who arrived in Moscow were put up at the Hotel Metropole; they received instructions to maintain a strict reserve, were prohibited from having contact with other Spaniards and were conveniently isolated. They were not to be idle. An agreement had to be reached with the Soviet specialists concerning the procedure to observe in counting the gold. The preliminary record of receipt was issued on 20 November: until that time, 156 cases...
had been opened for purposes of control, along with another 216 that were damaged on arrival. The contents of each were noted in individual records. Finally, on 23 November, the necessary work was undertaken to equip the premises in which counting was to take place. On 4 December counting commenced, with the four Spanish officials participating. Certain deficiencies were observed at the time as regards the contents of the bags: a number of coins were missing according to the invoice of contents; others were false, or fineness was below standard; occasionally there was surplus of coins or else they did not correspond in other ways to the contents according to the data, etc. Counting was conducted with maximum speed and within a shorter period than anticipated by the Spanish specialists (allusions to the contrary in the literature, and disseminated by Prieto, are sheer myth) and was to end on 24 January 1937.

Meanwhile, Pascua had received no instructions. On 5 January he had spoken with Alvarez del Vayo on the telephone under safe conditions, but the minister for foreign affairs had felt unable to approve the action conveyed to him by the ambassador. Therefore, utilizing a very simple and deceptive code, Dr Pascua drafted a meticulous report, requesting instructions as to destination of the documents indicating the results of the operation. Considering the imperative need to maintain the strictest secrecy, Pascua personally handed it to Alvarez del Vayo at Geneva in the latter part of January. Not long after, on 5 February, the definitive record covering receipt of the gold was drawn up in Moscow. Therein was reflected the composition of the deposit and its weight: 510,079,529.30 grams of alloy, the equivalent, according to the writer's estimates, to 460,516,851 grams of fine gold — $518,000,000.20

Thus, from its new location, the Spanish gold was in a position to contribute substantially towards financing the Civil War by early February 1937. Up to that time, republican external financial policy had rested on sales of gold to the Bank of France (these were to terminate the following month), and utilization of foreign exchange deriving from the same source. Initial Soviet supplies had been made on credit in most cases.

Rumours concerning the gold, of course, were rampant. In the London Committee for Non-Intervention, the USSR had obstinately opposed German and Italian attempts to examine the question. Britain and France had supported the Soviet position.
Despite every precaution, it had not been possible to prevent leaks. Significant at this time is the report which appeared in the Daily Mail of 12 February 1937, commenting on the supposed opening in Paris of a £3,700,000 loan to the republicans in a Soviet Bank subject to French law. This report was incorrect, but did point to an essential protagonist in Spanish-Soviet relations during the Civil War: the Banque Commerciale pour l'Europe du Nord (Eurobank), established under that name in January 1921; certain international transfers made by the Republic were channelled through Eurobank, which received, in francs, the product from sales of gold to the Bank of France.

Mobilization of the gold deposited in Moscow was to take place according to the following plan: through safe channels the republican minister of finance and economy and the prime minister would order the sale of gold necessary to obtain certain volumes of foreign exchange. The gold (minted for the most part) would be melted and refined to ascertain its fine gold content. Its counter-value in foreign exchange, appraised at the London market price, would then be transferred to accounts opened in the Eurobank or, in some cases, would be paid to the Gosbank in settlement of Soviet military supplies already forwarded. Through Eurobank, the Republic would therefrom channel a substantial portion of its payments abroad. The operation was foolproof and would be conducted in the strictest secrecy. Banks connected with Eurobank would know only that republican funds were on deposit in it. They might perhaps sense their origin, but the ultra-secret link between the gold (the origin of such funds) and the financial policy of the Republic was concealed behind the impenetrable barrier erected by Eurobank and the Soviet authorities.

On 3 February, prior to signing the definitive record of receipt, Pascua had met with Stalin, Molotov and K. E. Voroshilov, people's commissar for defence. He had previously submitted for the consideration of the Soviet leaders the possibility of establishing a general arrangement concerning major credits which would include debts already incurred with the USSR. The Republic needed foreign exchange to finance its imports, and it was logical that it should attempt to hold on to the greatest possible amount of gold as a line of reserve. The Russians, however, refused to continue supplying the Republican Government on credit. Meanwhile, Franco, who was compelled to resort to credit, had little difficulty in obtaining it from Italy and Germany and, when required, made the necessary economic and commercial concessions.

Pascua (one of the few western diplomats to have met with Stalin several times) was able to appreciate the Soviet leaders' awareness of the international complications which might befall them through their intervention in Spain. The Russians felt that in no circumstances should the Republic move towards a Soviet model: Spanish evolution and conditions were very different from Russia's and if a Sovietizing regime came to power in Spain, western democratic powers would clearly adopt a position damaging to the Republic. Stalin therefore insisted on the need for strengthening a bourgeois-democratic regime in Spain, and accepted Pascua's view that it was undesirable to sign a treaty of friendship between Spain and the USSR, such as had been proposed by Manuel Azaña, president of the Republic.

On the following day, 4 February, Pascua met with V. P. Potemkin, assistant commissar for foreign affairs, to whom he emphasized the inadequacy of credit facilities granted to the Republic up to that time. Unless general agreements could be reached on credits, he continued, some other means should be sought to cover debts contracted with the USSR, not only for war material, but also for commercial supplies and occasional transfers of foreign exchange to Paris. This matter undoubtedly called for personal contact with the republican leaders, and Pascua accordingly travelled to Valencia at the suggestion of Stalin himself. Soviet financial spokesmen, however, had repeatedly made clear their cautious attitude, considering the increased volume of the Republic's indebtedness, so that on 16 February 1937, Largo Caballero and Negrín decided to resort to the deposit of gold. The first order involved liquidating part of the debt accumulated for military supplies and on that date the Russians were informed of the republican desire to sell gold for $51,160,168.

This order was the forerunner of several others. In the remaining months of 1937, Largo Caballero and Negrín (or Negrín alone after he assumed the premiership in May), issued fourteen such orders. A total of 358.5 metric tons of fine gold were sold that year. Of their countervalue, $256,000,000 were transferred to Paris, and $131,500,000 were paid to Gosbank in Moscow in settlement for military supplies. The remainder of the melted and refined gold, in excess of orders, was placed at the disposal of the Republic, which made use of it the following year.

Mobilization of reserves on such a scale meant that shortly after
the end of the first year of the war, the Republic had sold not only 26.5 per cent of gold stocks on hand in Madrid when war broke out, but also 80 per cent of the gold sent to Moscow. In turn, foreign exchange for at least $512,000,000 had been obtained to pay for imports of war matériel and services, food, raw materials, industrial products and items of prime necessity.  

However, the republicans had not abandoned the possibility of obtaining Soviet credit. There is reason to believe that Negrín broached the subject energetically, and was not discouraged by a temporary slackening in the receipt of Russian war supplies. In October 1937, he ordered Pascua to arrange a credit of $150,000,000. The Soviet counter-proposal was unacceptable and difficulties encountered by the ambassador did nothing to render his mission a pleasant one. Negrín, none the less, was adamant: he did not wish to exhaust the gold entirely (it would always be needed for reconstruction), but neither could he obtain financial support from western powers. The solution lay in urgently obtaining economic facilities from the USSR. Unless the Republic’s stringent foreign exchange situation could be improved, there was the danger of losing the war. Franco had no such serious problems, and we now know that it was precisely in 1938 that the volume of financial aid given by the Germans and Italians increased.

Early in 1938, Negrín adopted a new tactic: requests for loans were made simultaneously with new sales of gold and payments to the USSR were delayed. He was successful in this approach: towards the end of January, the republican debt amounted to £357,266 and $2,585,250 (for commercial supplies), and $1,321,923 (for petroleum supplies). Until then, most imports had been paid for upon presentation of the documents, that is, almost in cash.

Ambassador Pascua poured oil on the troubled waters and defended the republican position in the face of Soviet proposals that the debt be liquidated through new sales of gold or that funds be transferred from those held in the Moscow Narodny Bank of London. However, when the gold was sold, its countervalue in foreign exchange was forwarded to the Eurobank.  

Negrín would not yield.

On 14 February, shortly after the second order of the year to sell gold, Pascua called on Molotov. While the battle of Alfambra raged in far-off Spain, the Russians finally agreed to resume the desired aviation supplies. The USSR now seemed set upon fundamentally revising its position towards republican Spain and on extending support. It even suggested that Spanish communist ministers should abandon the government, since the Republic needed more room for international manoeuvring and a purely socialist and republican combination might perhaps achieve this.

On 26 February, following the defeat at Alfambra, Stalin, Molotov and Voroshilov met with Ambassador Pascua, who achieved a mild success: the USSR would grant a credit of $70,000,000 with a gold guarantee at 50 per cent. Such credit would serve to meet accumulated debts and would also be applied to future settlements for military supplies. This was not what had been hoped for and, in the judgement of Negrín, was insufficient, but it had to be accepted. On 4 March, Pascua conveyed his consent to Molotov. Three days later a loan agreement was signed in Barcelona (the third and final seal of the Republican Government). Under the terms of this agreement, which has remained secret until now, the USSR was to open several credit lines, while almost 35 metric tons of coins from the gold on deposit, were to be taken to serve as a pledge. Spanish-Soviet relations subsequently improved, but Moscow was not to forward the massive shipments of war matériel needed by the Republic until it was too late. For his part, Negrín immediately made use of the credit lines; on the same day the agreement was signed, he ordered liquidation of $33,000,000 in accumulated debts, to be charged against the credit.

With the negotiation of the Barcelona agreement, Ambassador Pascua concluded his crucial mission to Moscow and went on to assume charge of the embassy in Paris. On 5 April 1938, Negrín reshuffled his government: he left the finance and economy portfolio to Méndez Aspe and personally assumed that of national defence, removing Prieto from the cabinet since the latter was considered a defeatist and was the object of communist wrath. Of the two communist ministers, only one remained in the new government, with which Negrín, having overcome serious internal difficulties, seemed more determined than ever to continue resisting, since it was not possible to win the war. Shortly afterwards, an order of 28 April practically liquidated the rest of the first deposit of gold. Thereafter, President Azana approved the classified decree a posteriori, authorizing sales of gold (and silver) to finance the war. The Republic thus belatedly assumed surreptitious legality to back the mobilization of metal reserves.
The Republic Resists Without Gold

The last sale of gold in Moscow, and application of the Spanish-Soviet credit agreement, took place during a phase of growing republican military defeats. Resistance was still possible, but only by resorting to the last reserves and increasing the degree of dependence upon the USSR. Negrín relied on a change in the international climate to favour the Republic. Munich dealt these hopes a heavy blow, and his idea then became that of continuing to resist until it was possible to link up with a hypothetical general war against the fascist aggressors, while simultaneously creating conditions for coming to terms with Franco.

In this last year of the war Negrín was desperately to diversify republican financial strategy. It became necessary to resort to silver reserves still deposited at Cartagena. The return of gold remaining from the deposit at Mont-de-Marsan (France) since 1931 was imperative and this would be possible after liquidating the debt with France and devaluation of the franc. Gold and precious objects which the citizenry had been forced to hand over to the government (something which also occurred in the nationalist zone) could still be sold. Lastly, new Soviet loans appeared necessary.

Silver was sold in the first place to the American Government: 1,225 metric tons in coins made it possible to obtain slightly more than $15,000,000. The sum was ridiculous but, here again, the operation posed interesting historical, juridical and political problems similar to those involved in sales of gold to France and the USSR. Franco’s Government after the Civil War did not conceal the sales to the United States, but refrained from emphasizing their similarity to those made elsewhere, perhaps because the defeat of the suit of the nationalist Bank of Spain in the American courts might affect the claim for gold held in the USSR or, at least, the dense smoke screen of propaganda to which the Spanish people were subjected concerning the gold deposited in Moscow.

Judicial action did not produce the same result in France as in the United States. The 40 metric tons of fine gold from the Mont-de-Marsan deposit were in effect blocked and in the summer of 1939, the Civil War having ended, they were returned to the Franco Government. In view of the sombre prospects facing the Republic as regards recovering this gold from France, a classified order of 16 May 1938 created the special finance committee to the republican embassy in Paris. Its responsibility was to assume charge of opera-

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...tions involving receipt, custody, transformation and sale of metal and precious stones, jewels, valuables and other items forwarded to it by the Republican Government. The Bank of France would no longer intervene, since political circumstances differed from those which prevailed in the early months of the Civil War. None the less, the French authorities did not hamper the sales which, up to 17 November, totalled approximately $9,000,000. These meagre results explain the need to resort to Soviet credits. Lines opened under the 7 March agreement would, of course, be utilized, but considering the growing need for imports, their inadequacy was soon proven.

While the international situation gradually deteriorated for the Republic, Vicente Polo, Spanish chargé d’affaires in Moscow, observed a marked coolness towards the Spanish question and encountered numerous irresolvable problems. Republican debts for unpaid supplies ($7,500,000 by May 1938) were again building up; and whether or not this was a tactical move, in June Negrín again resorted to Ambassador Pascua who could easily travel to Moscow without coming under suspicion, since he had not yet taken his official leave of the Soviets. His mission now would be to negotiate with Stalin the granting of new credits for a total of between $75,000,000 and $100,000,000. Guarantees were slight: the gold at Mont-de-Marsan (when received) and the transfer of certain percentages on foreign exchange yielded by exports such as mercury, salt, lead, potash, citrus fruits and almonds. This arrangement followed the same line as that adopted by Franco towards Rome, whereby debts were reduced through delivery of international trade commodities. The basic notion lay in not touching foreign exchange funds deposited in Soviet banks in London and Paris, since these were required to meet other needs and, indeed, to provide for the Spanish republicans in exile.

Negotiations were rapid and so secret that the Spanish chargé d’affaires in Moscow was unaware of them. On 13 July 1938, Pascua met with the Soviet leaders who accepted the proposal of Negrín for a total loan of $60,000,000. They can hardly have been under any delusions, for some days earlier a French court had come to a decision which virtually blocked the gold at Mont-de-Marsan. Pascua now returned to Paris, and thereafter Negrín himself was personally to handle with Soviet representatives in Spain details concerning the credit operation. No documents on the results of such contacts have come to light. Nevertheless, during the summer
and autumn of 1938, the USSR continued to supply war matériel to the Republic, even though shipments were hindered by the closing of the Franco-Spanish border; moreover, the Munich pact definitively opened Stalin’s eyes (assuming that this was still necessary) to what remained of the collective security policy he had advocated.

On 26 November 1938, following the republican defeat on the Elbro, Negrín and Méndez Aspe wrote to Molotov requesting immediate delivery of supplies contracted for but not yet received owing to a temporary slackening. They appended to their communication an outline of needs anticipated for the four quarters of 1939. How did they expect to pay? The present writer surmises that possibilities were few: to utilize Eurobank and Moscow Narodny Bank funds, or make continued appeals for Soviet credits.

Early in December, General Ignacio Hidalgo de Cisneros, a prominent member of the Spanish Communist Party and chief of the Air Force, travelled to Moscow. According to his rather unreliable recollections, the Soviet leaders promised to ship war matériel on credit and indeed, new supplies began to arrive in Spain during the early days of 1939. It was already too late: the nationalist offensive on Catalonia advanced so rapidly that distribution of part of the matériel was hindered; another part was disabled or destroyed; still another was captured by the Franco troops; and the rest remained in France.

Thus, from late April 1938 Negrín was able to ensure a relatively sustained flow of Soviet supplies, despite both Munich and danger spots faced by the USSR in Asia which also caused grave concern to the Kremlin. The gold had made it possible to sustain the war during the first two years; other resources and Soviet credit were to sustain the Republic’s desperate resistance for another half-year.

What remained thereafter was to ensure finances for republican exiles. From accounts opened in London, New York and Paris, the remaining funds were transferred to the Eurobank in the name of Pedro Pra, one of Negrín’s most loyal agents. More funds were to go to other agents. It was now a matter of preventing them from falling into Franco’s hands. Following the Jordana-Bébard agreements of 25 February 1939 and immediate French recognition of the nationalists, official republican accounts in Paris could be blocked. Trustworthy private individuals assumed responsibility for unexpended foreign exchange. Certain funds were allocated to finance urgent purchases of food for the starving population of the republican zone; this is deduced from a pathetic telegram which Méndez Aspe sent to Negrín from Paris. The following day, 5 March, Negrín lost control of events in republican territory, where Colonel Segismundo Casado headed an anti-Negrín, anti-communist coup. Resistance had practically ceased and the inaction of democratic western powers had proved fateful to the Republic. In his speech before the XVIII CPSU Congress, Stalin publicly implied his desire to seek an understanding with Nazi Germany; until then, feelers put out to Berlin by cautious Soviet diplomats had been fruitless. Towards the middle of March, Hitler swallowed up what was left of independent Czechoslovakia; a new era was emerging, and with it the reaction on the part of western democracy for which Juan Negrín had vainly hoped.

Even though part of the data in preceding pages might perhaps contribute to correcting or enriching certain interpretations concerning Soviet intervention in the Spanish Civil War, it is desirable to conclude this article with some brief and general considerations as to the role played by the gold.

The war consumed huge sums of foreign exchange which were crucial in sustaining the vital flow of imports: at the beginning of 1937, as Negrín informed Pascua, requirements for foodstuffs and other supplies were placed at about $14,000,000 monthly. To this must be added purchases of arms. For example, the cost of those purchased from the USSR during the first year of the war amounted to at least $132,000,000. Assuming that the rate of non-military supplies established by Negrín was maintained from the beginning of the war until the fall of Vizaya in March 1937 and the consequent loss of its mines and heavy industry, it can be estimated that at least $314,000,000 were spent on imports during the first year of the war, not counting purchases of war matériel outside the USSR. The cost of the latter must have been considerable, since it was obtained through the more-or-less irregular procedures to which the policy of non-intervention made it necessary to resort.

Experience gained in the early months of 1938 had shown, by the summer of that year, that the monthly volume of required foreign exchange already amounted to some $27,000,000, not including expenses for Soviet arms. By applying this rate to the crucial period between the fall of the northern front and that of Catalonia, we would find that in those sixteen months, additional needs for foreign exchange would be of the order of $450,000,000. The sum of both amounts ($734,000,000), in which merely a part of expenditure on
foreign arms is computed, might serve as an indication — despite the fact that it is purely in the nature of an estimate — permitting a relatively realistic evaluation of the volume of foreign exchange to be consumed by the republican campaign. In terms of foreign exchange, needs imposed on the Republic by the Civil War were, of course, to exceed the total of gold reserves held in the Bank of Spain at Madrid when war broke out. Other sources of foreign exchange were to cover the gap which the USSR helped in part to fill through the granting of credits to a total which cannot yet be accurately determined. In view of this, it is surprising that one still encounters interpretations implying that the Spanish Civil War might have been financed by the republican side without resorting to the gold, or at least without exhausting the supply.

A full analysis — not feasible at this point — of this question ought not to restrict itself to the writings of independent and partisan authors (whether pro- or anti-communist, pro- or anti-republican). It should also embrace its treatment in public and official spheres during the Franco era. The combination of studies at both levels would perhaps throw some light on the very nature of the regime and its most highly placed servants. Merely for illustrative purposes, let us recall here that the Bank of Spain published a voluminous economic history of the institution in 1970. In one of the essays therein, the distinguished Spanish economist Professor Juan Sardá referred briefly to the possibility of the gold having been totally expended in the Civil War. The book was banned and at the moment of writing is still unavailable. It is thus not surprising that when apprised of the fate meted out to research conducted by the present writer, Spanish historian Ricardo de la Cierva should ironically refer, in Madrid’s best newspaper, to ‘the strange case of a state that bans its own books’.

Notes

1. For a reconstruction of the external financing process of the Spanish Civil War through sales of gold, see Angel Viñas, El oro español en la guerra civil (Madrid: Instituto de Estudios Fiscales, 1976; ‘El mito del oro en la guerra civil’, Historia 16, 11 (March 1977), 33-61; and El oro de Moscu (Barcelona: Grijalbo, forthcoming). The first book was prepared on instructions from Professor Enrique Fuentes Quintana within the ministry of finance which, notwithstanding, prohibited its circulation in November 1976. Censorship did not affect the second paper. Following the general elections in June 1977, Professor Fuentes Quintana was appointed vice-president of the government and minister of economy. The first book was then cleared by Francisco Fernández Ordóñez, new minister of finance. The third book is broader in scope and treats in some detail the subject covered in this article, incorporating the analysis of Dr Pascau’s files. Opinions of the present writer in no way reflect official or semi-official positions or interpretations set forth or implied by the Spanish Government.

2. On 18 July 1936, the gold initially transferable in Madrid amounted to 2,188,000,000 pesetas at nominal value, equivalent to 635 metric tons of fine gold and $715,000,000. Spain ranked fourth in the world in terms of reserves. Reference to certain other gold figures according to the Bank of Spain balance sheet is frequently made in the literature. The present writer’s data have been adjusted and represent actual mobilizable amounts, on the basis of confidential documents and the internal accounts of the Bank of Spain.

3. Public Record Office (hereinafter PRO), London: FO 371 W5157/1164/41; Gaceta de Madrid, 4 June 1936; España Económica y Financiera, 6 June 1936.

4. Archives of the presidency of the government, Madrid, Burgos Documents, File 9, Folder 10. This decree, of maximum importance, was exhibited before American courts in the course of litigation conducted during the latter half of 1938, which involved the republican and nationalist Bank of Spain. At that time, the Franco Government attempted unsuccessfully to hamper sales of silver to the US Treasury Department. One of the attorneys who defended nationalist interests was John Foster Dulles.


6. On 24 August, Ciano confirmed to an emissary of the Nationalist Defence Junta that it was unnecessary to make prior deposits in lire in order to obtain Italian supplies, indicating: ‘pas un seul mot de plus sur des questions d’argent. Après la victoire on en parlera, pas maintenant’. (Servicio Histórico Militar, Archivo de la Guerra de Liberación, National Documentation: A5, L281, C24.) Until then, financier Juan March had given essential aid in Italy and the United Kingdom, in the latter through the London bank Klohnert & Sons & Co. The Germans supplied on credit and soon began to receive Spanish exports of mineral products.


8. All efforts of nationalist agents before the Bank of France, the Quai d’Orsay, the Bank for International Settlements, and the League of Nations, failed to prevent the sale of gold to France. The British Government was aware of the general aspects of the operation, but not of its actual details.


10. Nor did Spanish republican leaders ever clarify such sales. Scattered references to them are found in numerous reports such as those owed to Prieto and...
Alvarez del Vayo, with ambiguous and contradictory data and arguments. I have found no documentary evidence that any government of the Franco regime ever submitted a claim for the return of this gold. Obviously, a juridical, economic and political parallelism can be established between sales of gold to France and to the Soviet Union. Such parallelism was always to be ignored by the Franco governments, which never accepted the latter. As recently as 13 December 1977, the Spanish minister for foreign affairs, Marcelino Oreja, is reported as saying that Spain would not renounce its claims to the gold in Moscow: *Diario* 16, 14 December 1977.

11. During the Franco era the utmost reserve was maintained concerning details of the secret meeting of the board. The present writer was not even authorized to consult the minutes book recording it. Fortunately, he was able to locate a draft of the minutes in AGBE, Secretariat, file 436, folder 25, document C.

12. PRO: 371/14629/1164/21, dispatch from Sir Henry Chilton, British ambassador, 26 October 1936. The first rumours were transmitted on 21 September (W 11901/1164/41) and reiterated on 5 October (W 12979/1164/41). The *Daily Herald*, 7 December, published a lengthy interview with Negrín in which he referred to the evacuation of gold from Madrid.

13. Another 202 cases of gold were transported on various dates from Cartagena to Valencia, the new seat of the Republican Government as of November 1936. Although the Soviet renegade Alexander Orlov stated that 7,900 cases had been shipped, the actual number forwarded to the USSR was 7,800.


16. Numerous authors place the initial arrival in Spain of Soviet war matériel as occurring in September 1936; however, had this been the case, and it does not appear entirely consistent with reports from Dr Pascua, these must have been limited amounts. Reports appearing in German diplomatic documents should be treated with every reservation.

17. The present writer believes it is not possible to reconstruct the political and financial problems of the Republican Government on the basis of interpretations given by Orlov and Krivitski, mere agents in the field. The matter is dealt with extensively in his latest book.

18. This was composed of four ships, on each of which a Spanish official travelled: the *Jraco*, 2,020 cases, José Velasco Sierra on board; the *Neva*, 2,697 cases, José González Álvarez on board; the *Kim*, 2,100 cases, Arturo Candel Marquesa on board, and the *Volgores*, 933 cases, Abelardo Padín on board. Reports of the departure apparently reached the nationalists, and the German consulate, on instructions emanating from the Wilhelmstrasse on 21 October, then informed Berlin concerning arrival of Odessa.

19. See the author’s *El oro de Moscú* for an extensive coverage of the subject.

20. Of all the documents delivered to the Spanish Government upon the death of Negrín in 1956, the definitive record of the deposit was the only one which General Franco allowed to be made known. The original was delivered to the Bank of Spain by the minister for foreign affairs and is kept in its safety vaults. Without attribution, it was reproduced in the work of the pro-nationalist writer Luis Bolín, one of the creators of the Franco version of the destruction of Guernica, in his book *Spain: The Vital Years* (London: Cassell, 1967), 375-82.

21. The American ambassador, Joseph E. Davies, only spoke once with Stalin and this was by chance, when he paid his farewell call on Molotov.

22. Spanish-Soviet inter-governmental relations are yet to be studied. The political line affirmed on several occasions in the presence of Pascua by the highest Soviet leaders might require a modification of conventional interpretations as to the meaning of USSR intervention in Spain. References offered by Manuel Azaña, *Memorias de Guerra* (Barcelona: Crítica 1978), are not always reliable. Azaña failed also to mention in his memoirs his proposals which were rejected by Pascua and Stalin alike.

23. Despite the highly confidential nature of the order, a photocopy of it fell into the hands of the nationalists. It is kept in the ministry of foreign affairs. In addition, it was reproduced photographically in an article by Conde de Casa Rojas, former Franco ambassador to Paris, in *ABC* of 6 November 1969; the author accomplished the tour de force of simultaneously denying that there had been orders to dispose of the deposit.

24. A photocopy of the letter from Negrín to the Soviet commercial attaché in Valencia enclosing the third order dated 3 March 1937, fell into nationalist hands. In the stated communication, Negrín expressed the desire to sell gold for $40,000,000. This also was published in *ABC*. A slip-up?

25. Documents kept by Negrín reflect minute accounting details concerning execution of the 1937 orders, with numerous statements concerning the fine gold product of operations which involved melting and refining the minted gold.

26. As the nationalist advance progressed, the territory and sources of wealth controlled by the Republic shrank and its dependence on import trade increased.

27. From January to April, four orders were given which involved 67.5 tons of fine gold; $75,000,000 were obtained.

28. Other sales of silver to French firms were initiated in June 1938. These totalled 522.5 metric tons, the value of which may have been $4,000,000 assuming that the resulting amount was similar to that obtained in the USA.

29. The republicans made still other shipments to Paris, which the present writer has partially identified. However, he has found no data concerning the product of such sales, which must have been well below what had been obtained up to November.

30. From the documents kept by Negrín, it is possible to prove that payments for a total of $51,000,000 were made against them between March and October 1938. Thus, at least $16,000,000 of the credit *tranche* were used. Military and commercial supplies forwarded by the Soviets subsequent to March 1938 were financed against the loan granted by Stalin, a fact that does not tally with the line taken by Franco propaganda.


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Glyn Stone

Britain, Non-Intervention and the Spanish Civil War

It has become virtually a commonplace for historians and other interested parties to see the failure of Britain and France to support the legitimate Spanish Republican Government as a decisive factor in Franco’s eventual victory in the Spanish Civil War.¹ Disagreement has occurred only in respect of apportioning responsibility for the formulation in August 1936 of the policy of non-intervention in the affairs of Spain. In this respect most historians have adopted the view that the non-intervention agreement,² first signed by Britain and France on 15 August 1936 and later adhered to by the other powers, was initiated either by the British Government or by Léon Blum’s French Popular Front Government acting under severe British pressure. In support of this argument they have pointed to the French decision of 25 July 1936 to set an embargo on the export of arms to Spain — a reversal of previous policy — as being influenced by British attitudes, supposedly communicated in the course of an international conference in London, attended by Blum himself on 22-23 July 1936.³ In addition, while admitting that it was the French Government which initiated the proposal for a non-intervention agreement on 1 August 1936, the point has been forcibly made that knowledge of increasing Italian-German military aid to the rebel forces had compelled Paris to circumvent