

ORIG

DEPARTMENT OF STATE

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FROM : Amembassy MADRID

DATE: 1 February 1965

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SUBJECT: Report on Completion of Mission

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E.O. 12958, Sec. 3.6

NLJ 01-279

By ins, NARA, Date 1-8-03

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REF :

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Upon departing Spain I submit following report of principal developments during my assignment here of two-and-a-half years:

1. Military relationship has been and is excellent, with US military liaison (JUSMG/MAAG), SAC and base commanders and their staffs excellently qualified and forces maintaining high standards of performance and conduct. (Incidents involving US military personnel have been kept to an absolute minimum and community relations have been excellent.)

2. In 1963, base rights were extended to 1968, Polaris submarine base was established at Rota in 1964, and negotiation of nuclear liability agreement was carried out smoothly, all at minimum cost thanks to able negotiating by Defense and State

Departments.

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FORM 4-62 DS-323

Drafted by: RFWoodward/og

Contents and Classification Approved by:

Clearances:

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3. USAF fighter squadrons were phased-out in 1964; seven radar stations just turned over to GOS; one of three airbases put on stand-by, two naval fueling stations and one munitions dump put on caretaker status, all without friction. B-47 Reflex operation will be phased-out by April 1, 1965. Total US armed services personnel and dependents down from peak of about 30,000 to about 22,000.

4. Naval cooperation developed excellently with renewal of ship loans and profitable US assistance in GOS naval construction as outgrowth MAAG relationship. Large joint GOS-US naval and landing exercises 1963 and 1964 were useful experiments for US and enhanced relations with Spain. During 1964, US Naval visits to Spanish ports totalled 745 ships with 328,000 men on board.

5. The Gold flow problem was eased - and military relationship enhanced - by increasing GOS purchases military equipment from U.S. This process was greatly accelerated by the September 1963 base-rights extension agreement which gave \$50 million Military Assistance to the GOS over a period of five years and offered \$50 million more to match equivalent dollar purchase of military equipment by the GOS up to that amount. The GOS is now developing a 5-year program that may reach \$200 million in purchases of military equipment from the U.S., including 10 F-5-As; 6 C-130s; and 5 DEGs equipped with Tartar missiles.

6. Long, complicated dispute with owners Royal Oaks (867-unit) housing for Air Force personnel, over rental rates, advance payments and maintenance has just been amicably settled and new contract signed to coincide with 5-year extension of base rights.

7. GOS agreed to several new installations such as NASA deep-space tracking station and tropospheric communications stations.

8. GOS cooperated in matters of importance to the Western World, such as in granting stopover and fueling privileges for Congo Airlift rescue mission despite Belgian forces, such as promptly approving greatly expanded refueling operations at the Air Bases during the Cuban Crisis, and such as providing token assistance to Viet-Nam to help in the effort to show "more flags" there. The US and the GOS have consulted closely concerning problems in other countries in which they have common interests, particularly Moroccan problems.

9. GOS stopped Spanish shipping to Cuba in 1964 and has held to once-a-week air service by propeller plane, despite repeated internal pressure for jet service which we oppose. We have excellent surveillance of Cuban trade and Embassy has succeeded in extracting from individual companies (principally Babcock Wilcox) pledges to withhold trade with Cuba.

10. Embassy has attained carefully balanced political stance, maintaining cooperative relationships with regime authorities and supporters, and sufficiently cordial relationships with independent thinkers and non-terrorist opposition so these elements all appear to accept the balance between US ideological position and strategic and other interests. Ferment of political thought among younger supporters of regime, in which we take interest, is resulting in steady if glacial improvement, without, however, weakening controls of regime. Moreover, the Franco regime's increasing desire to improve its image for the Western World - encouraged by good relations with our Government - has resulted in more moderate treatment of censorship, of sporadic labor unrest, of persons accused of political offenses against the regime, and of problems arising between protestants and local authorities. Authorization for the formation of Lions Club in Spain was a 'straw in the wind' toward greater "freedom of association".

11. The Labor Attaché maintains excellently balanced relationship with syndicate leaders encouraging liberalization without offending.

12. Foreign Minister CASTIELLA's long, persistent efforts to obtain approval of draft law specifying rights and privileges of non-Catholics encouraged marked improvement in toleration of Protestants. Catholic hierarchy has become a steadily greater influence for social improvement.

13. GOS adopted an enlightened colonial policy which offers increasing autonomy for Spanish equatorial possessions and has substantially increased Spanish prestige in UN.

14. Embassy contacts have been widely varied and systematically catalogued. The Embassy places particular emphasis on its Youth Program, and USIS assigned a competent full-time youth officer whose work is supplemented by other members of the Embassy. The Agricultural Attaché helped with organizing farm youth program along 4-H Club lines. The numbers of US students studying in Spain has steadily increased, totalling over 1,200 Puerto Ricans and 800 others in 1964. Fulbright Scholars and students, numbering about 100 each year, were especially assisted and briefed by USIS and Embassy officers in 1963 and 1964. U.S. visitors in greatly increased numbers, particularly those highly recommended by members of the Legislative and Executive Branches of the Administration, have been assisted and entertained systematically by Embassy officers.

15. USIS and Embassy officers conducted persistent campaign to inform Spaniards about civil rights progress and other progressive policies and developments in U.S. Local news media, encouraged by USIS, gave excellent coverage US developments such as Presidential elections. Spanish news agency EFE contracted to distribute AP service in addition to UPI. Readers Digest, with largest circulation any magazine in Spain, increased to 205,000 a month. Spanish publishers published increasingly large numbers translations US books of all kinds.

16. Chief of State and other Spanish authorities notably increased emphasis on social improvements and welfare of lowest income groups. I believe this has been influenced in part by the emphatic attention and admiration we have consistently given to this type of constructive progress in Spain and by our efforts to describe to Spaniards the efforts of the US Administration to bring about such progress in US. Significant strides were made in Spanish education, housing, medical care, (e.g. polio was virtually wiped out with rapid, nation-wide use Sabin vaccine), minimum wages, collective bargaining, social security, irrigation, reforestation, power development, industrial development, communications. One percent of the labor force moves annually out of agriculture (where workers are under-employed) into urban industry and services. We show keen interest in all developments that will advance general welfare to show that US is preoccupied with this objective in US and elsewhere.

17. Unique cooperation by US Atomic Energy Commission in accepting Spanish uranium while providing enriched uranium to Spain has resulted in current construction by Westinghouse of first Spanish nuclear power plant of 153 megawatts. Bids being submitted on second plant of 300 megawatts. Cooperation between national Atomic Energy Commissions of US and Spain is close and now points toward joint development of new experimental heavy water power reactor for which US may loan heavy water and enriched uranium. A special agreement was negotiated to

cover liability arising from visits of nuclear-powered vessels, and the USS SAVANNAH made a visit to Barcelona which aroused much public interest.

18. The outstanding effectiveness of multilateral agencies created and operated with US support such as the World Bank and IMF, has been demonstrated by excellent Spanish Economic Development Plan based on recommendations of the Bank and made possible by highly successful monetary stabilization organized by IMF. GNP increased over 6% in 1964 and over 8% in 1963 at constant prices. OECD advice is also making notable contributions to sound development in Spain. Spanish desire to associate with common market is also promoting liberalization.

19. US exports to Spain have increased from 1961 total of \$181 million (payable in dollars) to 1964 total of \$302 million (payable in dollars). Two intensive Commerce Department Trade Missions and several US exhibits, particularly the Department of Commerce exhibits at the annual Barcelona Trade Fair, have aided this expansion. A large proportion of Spanish import quotas were eliminated and the GOS and US negotiated a new and more mutually acceptable exchange of quota limitations on trade in cotton textiles in 1964. GOS joined GATT and negotiated duty reductions with the US. Expansion of US trade was greatly assisted by EXIM Bank loans. While these loans postpone dollar

payments, future exports already contracted for can be judged by fact that EXIM Bank credit obligations have increased from 135 million in May 1962 to 279 million in January 1965. The World Bank obligated \$33 million in 1963 for Spanish highway improvement, \$65 million in 1964 for railroads, and is now negotiating \$25 million credit for port improvements; a large proportion of these credits will be used to import equipment from US.

20. Spanish exports finally increased in 1964 faster than Spanish imports. Reserve of gold and foreign exchange rose in 1964 to \$1,401 million from \$971 million in May 1962.

21. Tourist business increased from 25% to 30% per annum bringing in over \$800 million USCY in 1964. Spanish tourists to the US increased markedly, encouraged by the outstanding Spanish Pavilion at the New York World's Fair.

22. Capital movements were markedly liberalized. Remittances of dividends and profits on US investments made before 1959 were freed, and all dividends and profits on US investments are now completely freed (although repatriation of capital invested before 1959 is still limited).

23. We have learned that royalties on newly-licensed US motion pictures will probably be completely freed this year. Total US film quota was increased (but US distributors still frustrated because Spanish distributors distribute US films in Spain and because "dubbing tax" high on US films, as much as \$12,000 a picture).

24. Billion-dollar, ten year US aid program, of which over half was provided in form of agricultural commodities, was phased-out without Spanish resentment; only one employee left. This aid provided the basis for successful stabilization and economic development programs and has led to large Spanish commercial imports of US agricultural products such as soy beans. Local currency proceeds of PL 480 sales and counterpart of grant aid paid for all US local-currency needs up to October 1963 for base construction and all base and other US operations. Local-currency loans have aided hundreds of projects for general welfare. Four-year phase-out of Title III Program (totalling about \$9 million in 1964) negotiated amicably.

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Page 10, Madrid A- 495

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25. US investments are 40% of all new foreign investments in Spain, and include large amounts by US Steel, Chrysler, Standard Electric, Ohio Oil, Standard Oil of New Jersey, Gulf Oil, Phillips Petroleum, Ralston Purina, Cargill, Monsanto, Kodak, Dow Chemical, IBEC-Arbor Acres, Sears Roebuck, Intercontinental Hotels and others. MGM and other US motion picture producers find it profitable to produce major pictures in Spain.

26. Plans completed and fund-raising campaign undertaken for greatly-improved American School Madrid for which State Department pledged \$190,000.

27. Embassy made numerous economies and improvements in operations, reducing personnel while conducting larger volume of business. Arrangements were made with Spanish Exchange Institute to convert dollars into pesetas at a consistently economical exchange rate after local currency was exhausted in November 1963, which has worked considerable savings for the US. Moreover, AID funds were transferred profitably to an interest-bearing bank account. A greatly simplified and very economical method of accompanying the GOS at the "Summer Capital" was developed, saving US Embassy manpower and funds.

28. Embassy Residence moved into government-owned quarters,

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eliminating rental payment. Rehabilitation of the US Government-owned building originally intended in 1955 as the Embassy Residence was completed three weeks ago, utilizing a superb representational site and building space and making use of a large quantity of furniture, draperies and equipment shipped in 1955 for this purpose and stored until now. The "Casa Americana" cultural center and library was concentrated compactly and economically in a part of the space originally intended for an excessively large Residence.

29. Liaison with the five Consulates in Spain was greatly improved by an internal courier system which permits Embassy and Consular officers to make frequent visits. Liaison with Washington was greatly facilitated by free use of SAC telephone line.

30. Embassy officers have made increasingly systematic efforts to show interest in Spaniards and constructive works in all parts of Spain. My wife and I visited all 52 provinces, including the Canary Islands, Spanish Sahara and Sidi Ifni.

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