

The Bribing of Spain in WWII by David Gray

Britain provided both formal loans and substantial secret payments to Spain during World War II, primarily as a strategic tool to ensure Spanish neutrality.

Britain used official financial agreements to support Spain's devastated post-Civil War economy, aiming to reduce its dependence on Nazi Germany. In March 1940, Britain and Spain signed a Trade and Payments Agreement. This included a formal loan of £2 million (later followed by a further £2.5 million in 1941). The funds were restricted for purchases within the United Kingdom or the Sterling area, essentially forcing Spain to maintain trade links with the British Empire.

Secret "Bribe" Payments



Beyond official loans, Winston Churchill authorised a massive, clandestine bribery operation through MI6 to keep Spanish military leaders from joining the Axis powers. At least \$14 million (equivalent to roughly \$200 million today) was funnelled to Spanish generals, ship owners, and agents. The payments were often distributed through the Mallorcan banker Juan March. This secret funding was so sensitive that it caused a row with the US Treasury, which initially froze the accounts in New

York because they suspected the money was being used to help the Axis.

For Britain, "buying" Spanish neutrality was a desperate necessity. If Spain had joined the war or allowed German troops passage, the Allies would have lost the Rock of Gibraltar, effectively blocking their access to the Mediterranean and the Suez Canal. Britain's financial strategy toward Spain was almost entirely dictated by the survival of Gibraltar. Losing the "Rock" would have effectively ended British control of the Mediterranean and potentially the war itself.

The "Gibraltar or Bust" Strategy

Britain used its wealth to counter Germany's military pressure on Spain, knowing that a Spanish alliance with the Axis would lead to the immediate fall of the Rock.

- **Countering Operation Felix:** Nazi Germany developed a specific plan, Operation Felix, to seize Gibraltar by marching troops through Spain. Britain's loans and bribes were designed to give Franco a financial excuse to keep his borders closed to German divisions.
- **Economic Dependency as a Shield:** By tying Spain to British credit and food supplies, Britain created a "golden cage." If Spain allowed a German attack on Gibraltar, Britain would immediately cut off the trade and loans that were keeping the post-Civil War Spanish population from starving.
- **Protection of the "Gateway":** Gibraltar was the only Allied foothold controlling the Strait of Gibraltar. Without it, Britain could not supply Malta, protect the Suez Canal, or launch Operation Torch (the 1942 invasion of North Africa).

Intelligence & Financial Warfare

The financial strategy was deeply intertwined with intelligence operations based in Gibraltar. While official loans went to the Spanish state, secret MI6 payments targeted the very generals who would have led an assault on the Rock. British funds also supported a massive counter-espionage network in the Spanish towns surrounding Gibraltar (like La Línea and Algeciras) to stop German-backed saboteurs from blowing up the Rock's tunnels and ammunition stores.

Strategic Value of the Rock

Feature	Importance to Britain
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Naval Base	Controlled all surface traffic between the Atlantic and Mediterranean.
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Airfield	Crucial for anti-submarine patrols and the North African invasion.
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Tunnels	Housed a "city" of 30,000 troops and Eisenhower's HQ for the North Africa campaign.
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When Germany realised Britain was effectively outbidding them for Spanish cooperation, the reaction from the Nazi high command ranged from diplomatic fury to strategic paralysis.

1. Hitler's Personal Frustration



Adolf Hitler was notoriously exasperated by Spain's refusal to commit to the Axis. After a gruelling nine-hour meeting with Francisco Franco at Hendaye in October 1940, Hitler famously told Mussolini he would rather have "three or four teeth pulled out" than deal with Franco again. Hitler offered to help Spain take Gibraltar, but Franco—fortified by British loans and food

supplies—demanded massive amounts of grain and fuel that Germany could not spare. Hitler eventually understood that as long as Britain controlled Spain's "stomach" through maritime trade and credit, Spain would never risk a total break with London.

2. Intelligence Failure and Internal Sabotage

While the Gestapo and Abwehr (German military intelligence) suspected British influence, they were often outmanoeuvred. The head of the Abwehr, Admiral Wilhelm Canaris, actually worked to *sabotage* Hitler's plans. Canaris, who knew Spain well, secretly advised Franco to stay out of the war, reinforcing the idea that Britain was far from defeated. Because the British bribes were funnelled through the private accounts of banker Juan March, German agents had difficulty proving the direct

link to London. Even some of the Spanish generals receiving the money didn't know the British government was the ultimate source.

3. Strategic Paralysis: The Death of Operation Felix

Germany's response to Spain's financial "entanglement" with Britain was the eventual abandonment of their Mediterranean strategy. Because Franco would not grant "permission" for German troops to cross Spain to attack Gibraltar—citing his country's fragile economic state—Hitler was forced to indefinitely postpone Operation Felix. Thwarted at the "Gates of the Mediterranean" by what they saw as British "chequebook diplomacy," the German high command shifted their focus away from Gibraltar and toward the invasion of the Soviet Union (Operation Barbarossa).

Summary of the "Price" of Neutrality

German Goal		British Counter-Move	Result
Operation Gibraltar)	Felix (Seize	£2.5 million loan & secret bribes	Spain refused entry to German troops.
Spanish Grain Supply	Trade	Agreement (U.K. food imports)	Spain remained dependent on the Allies.
Military Alliance		\$14M in bribes to generals	Spanish military leaders advised Franco against war.

When the United States first discovered the secret flow of money, it nearly caused a major diplomatic breakdown between London and Washington. The US reaction evolved from suspicion to intervention, and finally to reluctant cooperation.

1. Initial Suspicion: The US Treasury Freezes the Funds



In 1940, the US Treasury Department noticed a massive, unexplained sum of roughly \$10 million (over \$200 million today) deposited in a New York bank account belonging to the Spanish banker Juan March. Without being told the purpose of the money, US authorities suspected it was being used by March

to financially support Hitler or pro-Axis interests. The US Treasury immediately froze the account, cutting off the supply of bribe money to the Spanish generals.

2. Churchill's Emergency Intervention

The freezing of these accounts caused a panic in London. British Ambassador Sir Samuel Hoare warned that without this money, Spain was in "real and immediate danger" of joining the Axis. Winston

Churchill had to intervene personally with President Franklin D. Roosevelt to explain that the funds were actually authorized by the British government for "essential military interests". After "a lot of quick talking" by British diplomats, Roosevelt was convinced. He ordered the US Treasury to unfreeze the cash so the bribes could continue.

3. Strategic Alignment: Food and Oil as "Overt Bribes"

Once the US was "in" on the secret, they began coordinating their own economic pressure with Britain's financial strategy. The US agreed to follow British recommendations on restricted food and oil supplies to Spain. While Britain handled the covert bribes to individuals, the US provided the overt economic leverage. They essentially told Franco that American grain and oil would only keep flowing as long as he stayed neutral.

The "Price" of Secrecy

The operation was so sensitive that even after the US joined the war, the full details were kept from most American officials to prevent leaks that could lead to the execution of the bribed Spanish generals by Franco's regime. Winston Churchill authorized approximately \$13–\$14 million (worth over \$200 million today) in bribes to influence a circle of about 30 Spanish generals and high-ranking officials. The primary goal was to ensure these influential figures would advise General Francisco Franco against joining the Axis powers or allowing German troops to attack Gibraltar.

Key Recipients and Payments

According to declassified MI6 files and research by historian Ángel Viñas, specific amounts were allocated to the inner circle of the Spanish regime:

- **Nicolás Franco (\$2 million):** General Franco's elder brother and then-Ambassador to Portugal. He was considered a vital link for influencing the Caudillo.
- **General Antonio Aranda (\$2 million):** One of the most prominent recipients, Aranda was a hero of the Civil War who became a leading voice for Spanish neutrality.
- **General José Enrique Varela (\$2 million):** The Minister of War at the time, his influence over the army was crucial to preventing a pro-German shift.
- **General Alfredo Kindelán (\$500,000):** The founder of the Spanish Air Force. British files notably described him as a "crook," yet still considered him worth paying for his strategic support.
- **General Luis Orgaz Yoldi:** High Commissioner in Morocco; he received significant payments (exact individual sum not specified in all files) to maintain stability in North Africa.
- **Sr. Gallardo (\$1 million):** Secretary-General of the Falange and the Fascist Militia, paid to temper the pro-Axis enthusiasm of the party.

Other Identified Figures

While specific dollar amounts for every individual are not always listed in surviving summaries, other military leaders identified as receiving payments include:

- **General Gonzalo Queipo de Llano**
- **General José Asensio Torrado**
- **General José Solchaga**
- **General Agustín Muñoz Grandes** (Former Falange secretary-general)

How the Money Was Delivered



The payments were handled with extreme secrecy to protect both the British government and the Spanish recipients. The majority of funds were funnelled through Juan March (*left*), a billionaire Spanish banker and former British double agent. Deposits were made into Swiss bank accounts in New York and the Bank of Portugal in Lisbon to hide the trail from German intelligence and Spanish counter-espionage. To keep the generals loyal throughout the conflict, only a portion was paid upfront; a significant amount (roughly \$3.5 million) was held in reserve to be paid only if Spain remained neutral until the end of the war. Juan March was the essential "engine" behind the secret bribery operation, acting as the sole link between the British government and the Spanish military elite. A billionaire Mallorcan banker

once dubbed the "world's seventh-richest man," he was uniquely positioned to handle the clandestine payments due to his deep connections and prior history as a British agent.

The "Only Candidate" for the Job

Britain selected March because he was one of the few figures with the financial infrastructure and "savage" business acumen to move massive sums of money without alerting Spanish or German intelligence. March ensured that the recipients—roughly 30 high-ranking Spanish generals—had no idea the money came from Winston Churchill's government. To them, he appeared as a wealthy, patriotic benefactor. He didn't just deliver cash; he managed it. He used his private bank, Banca March, and a network of foreign accounts to distribute payments selectively. March was not acting out of altruism; he reportedly pocketed over \$5 million as a commission for his services.

Strategic Execution

March's role was decisive in shifting the loyalties of Spanish leaders who were initially sympathetic to the Nazis. He worked closely with the British Naval Attaché in Madrid, Captain Alan Hillgarth, to identify which generals were most corruptible or most influential over Franco. March helped structure the bribes so that a significant portion was held in reserve, to be paid only if Spain remained neutral throughout the war, effectively making him the "guard" of their continued loyalty.

Double Agent History

March's reliability was questioned by some in London because he had worked as a double agent for both Britain and Germany during World War I. However, Churchill personally backed him, believing

March's hatred of "Bolshevism" (Communism) made him a natural, if unscrupulous, ally against the Axis and any potential Soviet influence in Spain.

Through his efforts, March transformed personal bribes into a "viable and effective strategy" that historians now consider a "roaring testament" to the power of financial warfare in securing Spanish neutrality. The question of how much Francisco Franco knew remains one of the great mysteries of WWII espionage. Historical consensus suggests a mix of wilful ignorance and strategic tolerance.

Did Franco Know?

Most historians, including Ángel Viñas, believe Franco was almost certainly aware that his generals were receiving "contributions," though he likely didn't know the exact scale or that the British Government was the direct source.

Franco's own intelligence services were extensive. It is highly improbable that 30 of his top generals could receive millions of dollars in Swiss and Portuguese accounts without his spies noticing. Franco likely allowed the payments to continue because they served his interests. If his generals were getting rich by staying neutral, they were less likely to pressure him into a risky war that Spain couldn't afford. By not officially "knowing," Franco could maintain his relationship with Hitler while his generals grew wealthy on British "insurance" money.

Franco's Personal Stance

Franco himself was famously cautious and transactional.

- **No Evidence of Personal Bribes:** There is no documented proof that Franco himself took British money. His "bribe" was the official loans and grain shipments Britain provided to keep his country from starving.
- **A "Balanced" Corruption:** Franco used corruption as a tool of control. By allowing his generals to take bribes, he held "dirt" on them, ensuring they remained loyal to him personally rather than to a specific ideology (like Nazism).



The "General Aranda" Incident

The closest Franco came to a confrontation was with General Antonio Aranda (*left*), one of the biggest bribe recipients. Aranda became so loudly pro-British that Franco eventually sidelined him and placed him under house arrest. Notably, Franco did not execute him or charge him with treason—likely because Aranda knew too much about the financial web involving the rest of the high command.

The German Suspicion

German intelligence (the Abwehr) repeatedly warned Franco that his inner circle was "tainted" by British gold. Franco typically brushed these warnings aside, claiming his generals were simply "patriots" looking out for Spain's economic recovery. In the end, the bribes created a pro-neutrality

lobby within the Spanish Pardo Palace that acted as a constant brake on Hitler's influence, regardless of whether Franco was "in" on the secret.

Revelation in Britain

The revelation of the "Spanish Bribes" didn't happen until decades after the war, primarily through declassified MI6 files and the work of historians like Sir Harry Hinsley and Ángel Viñas in the 1980s and 2000s. When the details finally hit the public record, the reaction was a mix of cynical amusement and ethical debate.

1. Public & Media Reaction: "The Golden Miracle"

The British public, long accustomed to stories of wartime heroism and "blood, toil, tears, and sweat," were fascinated by the pragmatism of the bribes.

- "Chequebook Warfare": The media often framed it as a masterstroke of British eccentricity and intelligence. It was seen as a "victimless" operation—no one died, and it potentially saved thousands of Allied lives by keeping the Mediterranean open.
- The "Price of Peace": Most commentary focused on the sheer return on investment. For roughly \$14 million, Britain secured a strategic victory that military experts estimated would have cost billions of pounds and a full-scale invasion to achieve otherwise.

2. Parliamentary & Political Scrutiny

In Parliament, the reaction was more nuanced, touching on the legality and oversight of wartime spending.

- Secret Funds: There were questions about how such massive sums were moved without the knowledge of the Select Committee on National Expenditure at the time.
- The "Dirty" Allies: Some MPs and critics pointed out the irony of the British government—which claimed to be fighting for democracy—systematically enriching the corrupt generals of a fascist dictatorship.
- The Churchill Legacy: For supporters of Winston Churchill, the bribes were held up as further proof of his "ruthless realism." It showed he was willing to get his hands dirty to ensure national survival.

3. Academic & Historical Impact

The disclosure fundamentally changed how historians viewed the "Neutrality of Spain." Debunking the "Franco Genius". For years, Spanish state propaganda claimed Franco stayed out of the war because of his own brilliant diplomatic manoeuvring. The revelation of the bribes proved that British gold, not Spanish strategy, was the deciding factor. It cemented the reputation of the Joint Intelligence Committee (JIC) and MI6 as being far more effective at "political warfare" than their German counterparts.

Summary of the "Aftermath"

Group	General Consensus
The Public	Viewed it as a clever, "James Bond-style" success.
Historians	Acknowledged it as the most successful bribery operation in history.
Ethicists	Pointed to the moral compromise of funding a fascist regime.
The Treasury	Noted the extreme secrecy required to bypass standard accounting.

The story remains a textbook example in intelligence circles of "Financial Counter-Intelligence"—using money as a weapon to achieve a goal that bullets could not. Britain deployed similar "chequebook diplomacy" and large-scale bribery in several other strategically vital regions, most notably in the Middle East and Turkey, to counter Axis influence and protect the British Empire's interests.

1. Iraq: "By Hook or by Crook"

In early 1941, Britain was deeply concerned about the pro-Axis leanings of Iraqi Prime Minister Rashid Ali al-Gaylani.

- **Large-Scale Bribery:** Declassified files from January 1941 show the British Ambassador in Baghdad was encouraged to adopt "large-scale bribery of politicians and other leading personalities".
- **The Fund:** An initial £100,000 (equivalent to millions today) was placed at the embassy's disposal specifically to "dislodge" the pro-Axis prime minister and keep Iraq aligned with Britain.
- **Context:** Britain felt forced to match the financial influence already being exerted by Italian and German agents in the region.

2. Turkey: The Battle for Chromite

Turkey was considered the most important neutral power by both sides, and Britain spent heavily to keep it from joining the Axis.

- **Preclusive Buying:** Britain engaged in "preclusive trade," essentially overpaying for Turkish goods like dried fruits and tobacco just to gain exclusive access to chromite, a mineral essential for making stainless steel and weapon parts.
- **Financial Assistance:** During the 1943 Adana Conference, Winston Churchill personally met with Turkish President İsmet İnönü and agreed to a massive increase in Allied military and economic supplies.

- The Result: Despite German pressure and a 1941 "Non-Aggression Treaty" with Hitler, Turkey remained neutral until 1945, largely due to this sustained British and American economic support.

3. Portugal: The "Lend-Lease" in Reverse

As Britain's oldest ally, Portugal maintained a "collaborative neutrality" that was heavily influenced by financial arrangements.

- Cash and Assets: Portugal provided crucial loans to Britain during the war while simultaneously leasing out the Azores islands as a base for Allied anti-submarine patrols.
- Strategic Trade: Britain used its remaining gold and currency reserves to maintain trade for Portuguese wolfram (tungsten), competing directly against German buyers to deny the Nazis this critical material for armour-piercing shells.

Comparison of Major Strategic Bribes

Region	Target	Primary Goal	Strategy
Spain	Military Generals	Prevent attack on Gibraltar	Secret MI6 cash payments via middlemen.
Iraq	Politicians	Oust pro-Axis Prime Minister.	Large-scale bribery of political figures.
Turkey	Government	Secure Chromite & prevent Axis advance.	Preclusive trade & massive military aid.
Portugal	State	Secure Azores bases & Wolfram.	Loans, trade agreements, and gold payments.

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