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August 2, 1950

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REPL:						
FILE: Messersmith						

Dear Dannie:

I was a good deal amazed to see in the papers this morning, an item from Washington that the Senate had approved by a vote of 65 to 15 an Amendment to the Arms Aid Bill providing a loan of one hundred million dollars to Spain which would be through the issue of bonds by the ECA Administration which would be purchased by the United States Treasury and the funds turned over to the Exim Bank for lending to Spain. I am enclosing a clipping from one of the Mexico City papers and it would appear from some of the statements made during the discussion of the Amendment in the Senate that a bargain of some kind has been reached with Franco. That such a bargain has been reached which seemed to be clear from the fact that the Mexico City papers this morning also carried the report of a speech which Franco is supposed to have made yesterday in which he said that Spain could not be neutral in another war.

I have not had much contact with this matter in Washington in the last few months; but I am sure that the State Department and the Treasury and the Exim Bank were still disinterested in a loan to Spain. It is obvious that this action by the Senate has been taken under the stress of developments in the general picture which has made it possible for the military and certain elements in the Congress to carry their arguments. One must expect a certain amount of hysteria, as well as some consideration and calculation, at a moment like this in any event. Although I lack any concrete knowledge, I think it is very likely that the House will approve this Amendment also and although the President may still have his reserves, as well as others, with regard to any loan to Spain for any purpose, it is believed altogether certain that he will approve the Bill as passed by Congress, even though it contains this authorization of a hundred millions to Spain.

I am convinced that if separate legislation for a loan to Spain had been before the Congress it still would have failed to pass. As an Amendment however to the Arms Aid Bill or to an ECA measure the President could not veto it for the passage of such

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a general Aid Bill immediately is too imperative. McCarran and his group were able to get some powerful allies entirely based on the events of the moment and, of course, they knew that the only hope of getting such legislation affecting Spain by the Congress was by having it as an Amendment to a measure which was of major, general and immediate importance.

So far as I can see at the moment the Bill simply carries the authorization for a loan, just what will actually be done remains to be seen. I have no idea whatever for what purposes the one hundred millions will be lent; but I think it is a sound supposition that most of it will be for military material.

I do not believe that this will affect the attitude of the State Department and of other agencies of the Government towards Spain in general and I do not believe that it will affect the attitude of the State Department on Barcelona. Just how a loan such as this will affect developments with respect to Barcelona in Spain I cannot foresee; but I am still of the opinion that Spain will not be able to get away in the long run with its treatment of Barcelona.

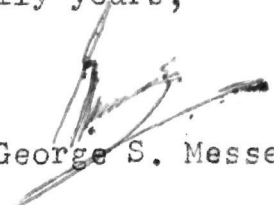
I am sure that you are getting more accurate and detailed information on this matter from New York; but I did want to send you these few lines.

I hope you are still enjoying your holiday in Switzerland but I am sending a copy of this letter to you in Brussels.

I had a letter the other day saying that I have been re-elected a member of the Board of SODEC and appreciate it very much and I hope that I can be helpful.

Things are going normally here; but we are very busy. I need not tell you that I look forward to seeing you. Marion joins me in love and good wishes to you and Hattie and Edna and Yvonne. Jimmy and June and the baby seem to be flourishing.

Cordially and faithfully yours,



George S. Messersmith.

ENCL.-clipping.

GSM/cvs

cc: Dannie Heineman, Esq.
Societe Financiere de Transports
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