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## The Story of Struggle – Madrid

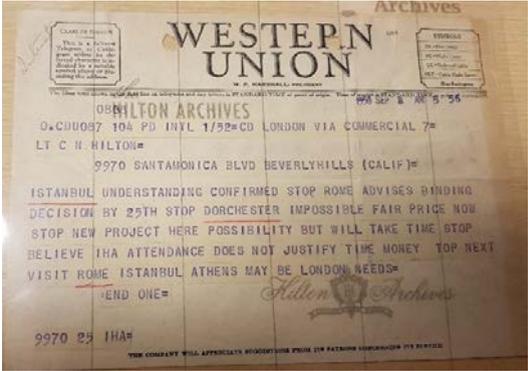
### The first in Europe

There is archival evidence suggesting that the Hilton Hotels Corporation had been looking for a project in Europe for a while (see Exhibit 2.1). The company was, by the end of the War, strongly represented from coast to coast in the United States and could have easily been considered a leader in luxury hospitality sector there. With the opening of the Caribe Hilton, the International division of the company was initiated, and Hilton was prepared to venture out further. Strand (1996) recalls that the main Hilton International's development goal was to operate in Europe, as this was where they saw the greatest potential in terms of both business and leisure travel. Also, it appears that it was in American foreign policy's interest to strategically distribute American businesses' foreign direct investment on the Old Continent. Allegedly, the Economic Cooperation Administration, a US government agency set up to administer the Marshall Plan, contacted Hilton Hotels in the early 1950s to announce that the ECA was "very anxious to increase first class accommodations in several of the capitals of Europe"<sup>1</sup> and, to fulfil this potential, was willing to provide both loan guarantees and capital to encourage construction. Having such an encouragement, Hilton could look for an appropriate project opportunity. What was certain, was that the hotel would need to be located in one of the capital cities and would be constructed using mainly local funding.

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1 Memo from Theodore J. Pozzy, Chief, Travel Development Section, to Paul Hyde Bonner, Special Assistant to Chief, ECA Special Mission to Italy, August 30, 1950, in Duplicates of Materials Concerning Hilton Hotels Corporation's International Development, 1950–1958.

A number of proposals were reviewed including those in Rome, Istanbul and Athens but, ironically, Hilton’s people’s eyes laid on Spain, the only non-communist country in Europe which did not benefit from the help of the Marshall Plan.



**Exhibit 2.1:** Telegram reporting on findings of Hilton’s ‘European project’

The reason for Spain’s exclusion was the fact that following the Civil War of 1936-1939 Franco’s regime “appeared to seek the construction of a totalitarian state along fascist lines, aligning itself with Nazi Germany and Mussolini’s Italy during the Second World War in the conviction that Spain would benefit from an Axis triumph” (Townson, 2007: 2). Notably, when Germans initiated Operation Barbarossa, Spain sent 18,000 troops to the Soviet Union to fight at the side of the Wehrmacht. When in 1943 it became clear that the Axis was about to be defeated by the Allies, Francisco Franco symbolically replaced Hitler’s and Mussolini’s portraits on the desk in his office with those of Pope Pius XII and Portuguese President Antonio Salazar, thus trying to associate himself with the West. One thing he was always certain about was his attitude towards communism, the ideology which was widely believed to be the greatest threat to peace of the twentieth century. As the World War II drew to an end, US President Franklin D. Roosevelt wrote to the American ambassador to Spain, Norman Armour:

“Most certainly we do not forget Spain’s official position with and assistance to our Axis enemies at a time when the fortunes of war were less favorable to us. These memories cannot be wiped out by actions more favorable to us now that we are about to achieve our goal of complete victory over those enemies of ours with whom the present Spanish regime identified itself in the past

spiritually and by its public expressions and acts (...) I can see no place in the community of nations for governments founded on fascist principles”

(United States Department of State, 1945).

It was rather obvious that Francisco Franco and his dictatorship found themselves on the wrong end of US politics, policy and public opinion.

As a result of this alienation, while western European countries continued their recovery, Spain was on the verge of bankruptcy. The ERP provided £13 billion of financial aid to Europe, an amount which enabled the import of capital goods that would have a positive influence on the whole economy. Another impact, which in fact might have been even more important, was a boost in international and political relations among European countries. Spain’s economy, being isolated from these arrangements, was deprived of the necessary margin to accelerate recovery and modernization (Carrasco-Gallego, 2012). Spain was not only excluded from ERP aid, but also from membership in the international organizations that arose from the Marshall Plan.

Spain remained completely isolated from the international community for nearly a decade after World War II. By the 1950s however, the nature of Franco’s regime began to change from being openly totalitarian and using severe repression to an authoritarian system with limited pluralism. With each icy blast of the developing Cold War, Francisco Franco and his past support for Hitler came to seem less and less toxic to American policy formulators, when compared with the need to secure the southwestern European flank against the Soviet menace (Rosendorf, 2006). Franco now increasingly promoted himself as “the sentinel of the West in the crusade against Communism” (Townson, 2007: 3). From 1947 to 1950, President Truman, having replaced President Roosevelt, slowly tipped away from an initially strong hostility for Franco, toward a pragmatic policy of accommodation despite the fact that Harry Truman was a well-known Grand Master of Freemasonry (Burnes, 2003), a movement passionately eradicated by Franco. With the escalation of the Cold War, the United States reconsidered its position, and in 1951 embraced Spain as an ally, encouraged by Franco’s aggressive anti-communist policies. It was a surprising change and even Conrad Hilton wondered about this shift in global politics by saying: “it is a strange thing that we keep changing partners in this war business. First, we

have an enemy who becomes our ally. Then we have an ally who becomes our enemy"<sup>2</sup>.

Regardless of personal opinions, this arrangement opened a wide range of business possibilities. According to Carrasco-Gallego (2012), possibly the most important move was the Madrid Treaty, signed in September 1953, which gained for the United States air force bases at Torrejon and Zaragoza and submarine pens at Rota, and a flow of military and economic aid for Franco's regime. Thanks to the Madrid Treaty, \$589 million were spent in Spain to support several developments between 1955 and 1958 (Carrasco-Gallego, 2012).

After chronic economic depression in the late 1940s and early 1950s, Franco presided over the 'Spanish miracle', abandoning autarky and pursuing economic liberalization, delegating authority to liberal ministers. Spain would find a way out of the dark corner and over the next two decades the Franco regime successfully refashioned Spain and put the country on a dramatic economic growth trajectory. Obviously, the military cooperation opened excellent opportunities for business as well. Despite the lack of benefits normally associated with the Marshall Plan, American companies were now able to invest in Spain on preferential conditions. Some of them, including American Express, had been observing the Spanish market already for many years.

It might come as a surprise that American Express had been planning expansion to Spain from as early as 1915 but for almost four decades did not find favourable enough conditions to commit funds in as volatile situation as Spain was in. Most controversially, in 1940, right in the middle of the World War II, American Express sent its director Max Widmer over to Spain to investigate the potential of Spain as a tourism destination for Americans. After all, American Express executives reasoned, Spain remained neutral so it was one of very few areas in War-torn Europe which was not an active battlefield and could become a holiday destination. What American Express found, however, was a ruin of a country which they had known from before the Civil War. Townson (2007: 2) believes that "for most Spaniards, the 1940s were bleak and harrowing years, a 'time of silence' when the dictatorship was at its most oppressive and opprobrious". Franco's right-wing policy of self-sufficiency doomed a large proportion of Spanish society to hunger and

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2 Conrad Hilton to Andres Zala on 10th March 1952.