

Poisoned Partnership: The International Mercury Cartel and Spanish–Italian Relations, 1945–1954

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This article investigates the development of the Spanish–Italian mercury cartel from the end of World War II to the mid-1950s. Previous literature has singled out the cartel as one of the most robust international cartels of the twentieth century, but as this article shows, the cartel broke down toward the end of the 1940s, and although briefly reestablished in 1954, it quickly dissolved again. Building on access to original source material from archives in Spain, Italy, the United States, and United Kingdom, we investigate the underlying reasons why the cartel broke down, and how and why it was eventually reestablished. Because both the main Italian and the Spanish mercury producers were state-owned, this article pays special attention to the influence of the political relations between Spain and Italy on the development of the cartel. The study of the mercury cartel is used as a prism to investigate the point where industry strategies meet

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government strategies. This article thus contributes to two major strands of literature, both to the business history literature on international cartels in the post-1945 world and to the diplomatic history literature on the intricate relationship between Spain and Italy in the early phase of the Cold War.

Keywords: business-government relations; cartels; natural resources

Introduction

On July 13, 1949, Alberto Martín Artajo and Juan Antonio Suanzes sent an urgent telegram to the Spanish Embassy in Washington, D.C. Artajo and Suanzes, two of the most influential ministers in Francisco Franco's government, had heard disturbing rumors that Italian mines had sold mercury to the U.S. government, and they wanted their representative in the United States to find out if this was really true. The Spanish chargé d'affaires in Washington confirmed their fears. He reported back to Madrid that great quantities of Italian mercury had indeed arrived in the United States. The metal had been sold by the Italian government to the U.S. government through the Economic Cooperation Agency (ECA) as part of the Marshall Plan program.¹

The news was received with anger in Madrid, not only at the highest political level, but also by the directors of the dominant mercury producer in the country. For the leaders of Minas de Almadén y Arrayanes, the world's oldest and largest mercury mine, the Italian sales constituted a clear breach of the existing cartel agreement between the Italian and Spanish mercury mines. Incensed, they rapidly took steps to disband the mercury cartel and started a price war with the Italian producers. The international mercury markets were thrown into turmoil as the price of the metal plunged while the producers battled for customers.

This article analyzes the development of the international mercury industry in the immediate post-World War II era. The main focus is on the relations between the Spanish and Italian mercury companies, the two largest producer countries of mercury for most of the twentieth century. Since 1928, the mercury mines in Italy and Spain had cooperated in an international cartel under the name *Mercurio Europeo*. The cartel was interrupted during the later stages of World War II, only to be resumed in 1946. However, the resurrection was short-lived. By the end

1. A. Martín-Artajo and J. A. Suanzes to Spanish embassy in Washington, D.C., telegram, July 13, 1949; G. Baraibar to Artajo and Suanzes, telegram, August 11, 1949, both IDD (10)026.002, box 54/12270: dossier "Mercurio" (1947–1951), AGA.

of 1949, the Spanish producer had decided to put an end to the cartel. The dispute between the two mining groups was eventually resolved in 1954, but the new cartel agreement would only last a short time. In this article we trace these developments and investigate the underlying reasons why the cartel broke down, and how and why it was eventually reestablished.

However, as the reaction of Artajo and Suanzes indicates, the development of the international mercury cartel is not just a story about two different mining groups and their struggles to regulate the international mercury markets. As well as analyzing the commercial cooperation and rivalry between the producers, this article must therefore also situate the development of the mercury cartel within the larger framework of Spanish–Italian bilateral relations and the international dynamics of the Cold War. It explores the complex interdependence of business and politics that permeated the mercury cartel in the period. As the German historian Clemens Wurm has argued, the analysis of the interdependence of political and economic development in international relations is one of the most difficult subject areas within the field of international history.² However, because international cartels are situated at the interface of politics, economy, and society, affecting domestic, foreign, and foreign economic policy, their study can form a hinge that links these external and internal processes. In line with Wurm’s observation, we use this study of an international cartel as a prism to study the point where industry strategies meet government strategies. This article thus contributes to two major strands of literature, both to the business history literature on international cartels in the post-1945 world and to the diplomatic history literature on the intricate relationship between Spain and Italy in the early phase of the Cold War.

Within the field of diplomatic history, there has been extensive research into the history of Spanish–Italian relations after 1945.³ Even though the economic aspects of the relationship have been discussed in most of these works, the role that mercury and other strategic materials played in the bilateral relationship have not featured prominently. By situating the development of the mercury cartel in the larger framework of Spanish–Italian bilateral relations and the international dynamics of the Cold War, this article deepens our understanding of the post–World War II Spanish–Italian bilateral relations and the role of the United States within that relationship, as well as contributing to the study of the first phase of the Cold War.

2. Wurm, “Politik und wirtschaft in den internationalen beziehungen,” 1.

3. See Cañellas Mas, “Italia ante la trayectoria política española (1957–1967)”;
Branciforte, *Acción política y cultural*; Del Hierro, *Spanish–Italian Relations*; Muñoz Soro and Treglia, *Patria, Pan, Amore e Fantasia*.

In business history there has been a resurgence in the interest in research on cartels in the last couple of decades.⁴ Although much of this literature focuses especially on the interwar years, when international cartels dominated international commerce, it is now well established that despite U.S. attempts to decartelize the international economy after the end of World War II, there was lingering cartelization after 1945, especially in Europe and Japan.⁵ Existing research has demonstrated the ubiquitous presence of international cartels in raw materials, and Valerie Suslow has shown that metal industries have historically registered the highest frequencies of cartel activity of any sector of the economy.⁶

When it comes to the case of Mercurio Europeo, the existing literature is scant and has mainly focused on the economic aspects of the cartel. The basic details of the early life of Mercurio Europeo have been established by the economists Jeffrey MacKie-Mason and Robert Pindyck.⁷ In an influential article, they use the history of the mercury and sulfur cartels to test the view that cartel success depends on external market factors, especially the potential for monopoly power that the market offers. They claim that the mercury cartel operated more or less continuously from 1928 to the 1970s. Later descriptions of the mercury industry build on MacKie-Mason and Pindyck,⁸ the only exception being Miguel López-Morell and Luciano Segreto's recent investigation into the history of the cartel from 1928 to 1954.⁹ They especially focus on the establishment and the operations of the cartel in the interwar years and pass more quickly over the development after 1945. Like

4. For an introduction to recent contributions in cartel literature, see, for instance, the 2013 special issue of *Revue Économique* edited by Barjot and Schröter, especially their "General Introduction"; Schröter, "Cartels Revisited"; Fellman and Shanahan, *Regulating Competition*. For notable recent works on international cartels in raw materials, see especially Hillman, *The International Tin Cartel*; Bertilorenzi, *The International Aluminium Cartel*; Garavini, *The Rise & Fall of OPEC* (although Garavini argues convincingly that OPEC only functioned as a cartel between 1982 and 1985). Notable recent PhD theses include Dahlström, *Konkurrens, samarbete och koncentration*; Kuorelahti, "Who Wants a Cartel?"

5. Fear, "Cartels," 268; Segreto and Wubs, "Resistance of the Defeated," 330. Fear's observation that most of the cartel literature focuses on the pre-1945 period rather than post-1945 still mainly holds.

6. Suslow, "Cartel Contract Duration," 718. For an overview of international commodity cartels in the interwar years, see Fear, "Cartels," 277; while Spar, *The Cooperative Edge*, analyzes international cartels in diamonds, gold, uranium, and silver, also for the postwar period.

7. MacKie-Mason and Pindyck, "Cartel Theory and Cartel Experience."

8. See Levenstein and Suslow, "What Determines Cartel Success?"; Levenstein and Suslow, "Breaking Up Is Hard to Do"; Fear, "Cartels"; Fear, "Cartels and Competition."

9. López-Morell and Segreto, "International Mercury Cartel"; see also Segreto, *Monte Amiata*.

Pindyck and MacKie-Mason, they claim that the cartel formally continued from 1954 and until the 1970s.

Although the existing literature gives an adequate overview of the main events in the history of Mercurio Europeo, it does not satisfactorily explain why the cartel was reawakened after the war, nor does it properly deal with the political economy of the mercury markets and how the international politics of strategic materials affected the development of the cartel in the postwar world. Both MacKie-Mason–Pindyck and López-Morell–Segreto focus on the business decisions of the cartel members (especially the cartel price policies) and how the two groups reacted to external constraints posed by the market, but only to a limited extent do the political aspects of the industry come under scrutiny, most explicitly in the latter article, in which the authors concede that the Spanish and Italian governments at times interfered in the smooth running of the cartel. However, they also stress that the cartel was far from being used as a special foreign-policy tool by the Italian and Spanish governments.¹⁰ Segreto's monograph about the Italian mercury producer Monte Amiata is more concerned with the political dimensions of the mercury markets.¹¹ However, in general, the previous literature touches briefly on the strategic nature of mercury and the implications this had for the development of the industry, especially as the uneasy postwar peace gradually turned into the Cold War.

Our main contention is that in order to understand the mercury cartel in this specific period, we need to situate it within the larger framework of Spanish–Italian bilateral relations and the international dynamics of the Cold War. To do that, this article is based not only on original source material created by companies, but also on an extensive investigation of governmental sources from Spain, Italy, the United States, and United Kingdom.

The Mercury Cartel and the Postwar World

In late July 1946, Mercurio Europeo, the international mercury cartel, was formally brought to life again after a three-year hiatus. The cartel had been established in 1928, but had slowly withered away during World War II, and the last meeting had been held in August 1943. Now the cartel partners were eager to once again cooperate to regulate the international markets for mercury for their common good. In general, a cartel is a voluntary, private contractual arrangement among

10. López-Morell and Segreto, "International Mercury Cartel," 280.

11. Segreto, *Monte Amiata*.

independent enterprises to regulate the market.¹² The aim of the mercury cartel had been to control the price of the product by governing the output of the producers and by allocating markets between the cartel members. The cartel consisted of two partners: the Spanish Minas de Almadén y Arrayanes (hereafter Almadén) and an Italian group of three mercury-mining companies, dominated by Monte Amiata. The Italian junior partners in the cartel were Siele and Società Mercurifera Italiana. Almadén was a wholly owned state enterprise, while Monte Amiata was controlled by its majority owner, Istituto per la Ricostruzione Industriale (IRI), a state holding company. Accordingly, this cartel, although a private contractual arrangement between two producer groups, was fused with national politics, as the Spanish and Italian states controlled the main cartel participants.

The cartel was important for a number of reasons, not least because mercury was a vital component in a wide range of specialized metallurgical, electrical, and electrochemical products, many of which had military applications: pressure-sensing devices, navigational equipment, seals, valves, infrared sensors, semiconductors, security sensors, fulminate for munitions and blasting caps, catalysts in the manufacture of materials for chemical warfare, and from 1944 onward, dry-cell batteries.¹³ Mercury was by all accepted standards a strategic material, and it was included on the list of strategic raw materials set up by the U.S. authorities in 1920, 1940, and 1953.¹⁴

The political nature of mercury is thus evident at two levels. First, state interests dominated the domestic industries in both Spain and Italy, and the two countries could therefore use the cartel as an additional arena to interact with each other. Second, given that mercury could only be found a few places in the world and was needed for a number of different products with military applications, it was an attractive export product that gave the producer countries access to sorely needed hard foreign currency and, as we will see, also opened the door to using this material for political gains.

Monte Amiata was the main driver behind the first cartel agreement. In fact, the Italian producer had approached Almadén on a number of occasions from 1905 onward to create a cartel, until the Italian company finally succeeded in convincing the Spanish company of the advantages of the proposal.¹⁵ The reason why Monte Amiata was so eager to sign an agreement with its largest competitor was that the Italian mercury was of a lower grade than the Spanish, and the operating costs of

12. Fear, "Cartels," 271.

13. Roush, *Strategic Mineral Supplies*, 276–279; Pennington, *Mercury*, 61.

14. Ingulstad, "Winning the Hearths and Mines," appendix A, 280–282.

15. Segreto, *Monte Amiata*.

the Italian producers were higher than those of Almadén. The Italian producers had much to gain from an agreement that stabilized prices at a high level and divided the market between the two producer countries. In the original agreement of 1928, the Spanish and Italian groups set up a cartel office in Lausanne, Switzerland. Yet the cartel proved to be rather disappointing to the members during the first few years, mostly because of the general international economic situation, but also partly because the producers had offloaded all their stocks to trading companies just before creating the cartel. The traders got their hands on about one year of normal world consumption of mercury and subsequently went on to undersell the cartel, with the result that the Spanish and Italian producers were outcompeted by their own production. The Great Depression only augmented the problem, and after several years of very low demand for mercury, the majority of Monte Amiata's shares in 1933 were taken over by the Italian State through IRI.¹⁶

The cartel continued to operate through the Spanish civil war, even though the mines remained under the control of the Spanish Republican government until nearly the end of the conflict. After Franco had taken control in Spain, the cartel agreement was renegotiated, and Italy received a larger share of the market. This agreement accurately reflected the new status of bilateral relations once the civil war in Spain was over: Mussolini was willing to make political concessions to the Francoist regime in exchange for economic benefits that would consolidate the Italian companies operating in Spain. After the outbreak of World War II, the cartel partners continued to meet regularly in Switzerland until August 1943, when the Mussolini regime collapsed, and the instability of the Italian situation led the authorities in Madrid to suspend most economic operations between the two countries.¹⁷

Representatives of the Italian and the Spanish mercury producers had already convened in Madrid in the summer of 1945. They knew that the war had changed the industry. Before 1939, they had dominated the markets, but the wartime demand for the material and the disruption of regular market channels had created the opportunities for new entrants into the industry. This was especially perceptible in the United States, where mercury production during the war years increased impressively as a number of new mines came on stream to replace the loss of supplies from Italy and Spain (see Figure 1). Mexican output also grew rapidly during the war, especially after the United States signed an agreement with the Mexican government in July 1941 to purchase the greater part of Mexican mercury.¹⁸ The European

16. López-Morell and Segreto, "International Mercury Cartel."

17. Del Hierro, *Spanish–Italian Relations*, 47–52.

18. Pennington, *Mercury*, 9, 49.

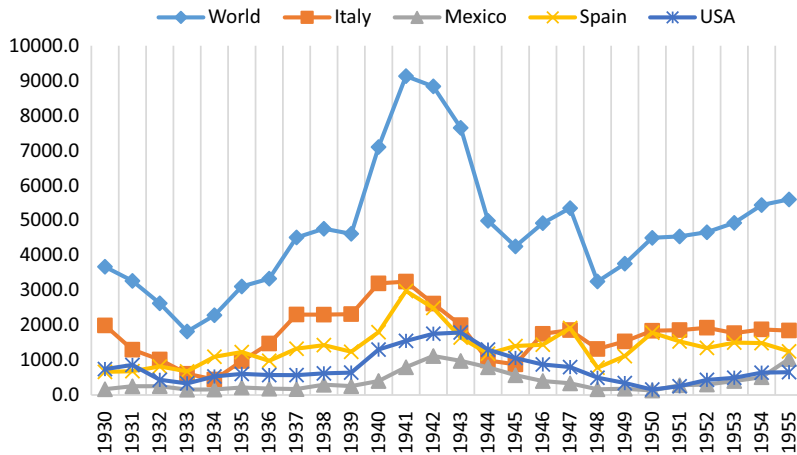


Figure 1 World mercury production 1930–1955 in tonnes.

Source: Schmitz, *World Non-ferrous Metal Production and Prices, 1700–1976*, pp. 131–133.

producers were therefore eager to find a *modus operandi* with their North American competitors, and they discussed the possibility of establishing an agreement with the U.S. producers. The Spanish group had plans to go to the United States to investigate the markets, talk with U.S. mercury-mining companies, and find a selling agent, and they invited the Italians to tag along.¹⁹

Although the two groups met in Madrid to discuss market regulation, the meeting was in reality about far more than mercury prices and market shares. During World War II, Franco's Spain had been a nonbelligerent, but ideologically the regime sided with Nazi Germany. Well aware of the potential difficulties that an Axis defeat in the war could create for the Francoist regime, authorities in Madrid had already begun work to improve its relations with the Western powers in 1943. However, the success of the political reorientation was rather limited. In the immediate aftermath of the war, Spain was treated as an international outcast by the allied victors, and the country was kept out of important international institutions. In March 1946, the U.S. government, in a joint statement with France and the United Kingdom, condemned the Spanish regime and declared that as long as Franco was in power, they could not have cordial relations with Spain. In December 1946, the UN General Assembly passed a resolution urging the withdrawal of all members' ambassadors from

19. Minutes of meetings of the board of directors of Mercurio Europeo, July 28 to August 3, 1945, in Madrid, Libro de actas del comité directivo del Mercurio Europeo, R-15/518, AHMA.

Spain.²⁰ Furthermore, Spain was the only Western European power not allowed to join the Organization of European Economic Cooperation (OEEC) when it was established in April 1948.²¹

While the Western powers shunned Spain after the war, its Mediterranean neighbor was seen as a potential exception. At the beginning of 1945, Spanish diplomats identified the young Italian democracy as one of the few European countries with which it was possible to have normal diplomatic relations.²² From that moment onward, the improvement of diplomatic relations with the Kingdom of Italy would become one of the main priorities of the postwar Spanish foreign policy.²³ In that juncture, the fostering of economic relations (including the possible revival of the mercury cartel) appeared as a perfect vehicle for establishing friendly relations with Italy.²⁴

For the diplomats in the Kingdom of Italy, revitalizing relations with Spain was also of paramount importance. Already in the autumn of 1943, the Badoglio government had realized that the position of neutral states like Spain was crucial to recover part of its sovereignty lost with the signing of the armistice with the Allies. That is why the Italian Kingdom hurried to appoint a new ambassador to Spain during the summer of 1944 in an attempt to normalize diplomatic relations between the two countries. Specifically, the authorities in Rome decided to send to Madrid one of the main exponents of the Italian Catholic world, Tommaso Gallarati Scotti, thus evidencing the seriousness of the Italian plans concerning Franco's Spain.²⁵

20. Viñas, *Garras del águila*, 38–39.

21. Liedtke, “Spain and the USA,” 233–234.

22. Report from Navasqués, then retransmitted by Lequerica to Franco, February 16, 1945, doc. no. 232, FNFF.

23. “Kingdom of Italy” is used here instead of the general term “Italy” as a way to establish a clear distinction from the Italian Social Republic (ISR). The two states coexisted between September 1943 until the definitive collapse of the ISR in April 1945, and during that time they both proclaimed their legitimacy, fiercely competing for official recognition in the international arena. In this regard, the fact that the Spanish diplomats decided to start a rapprochement with the Kingdom of Italy in February 1945 does not mean that the IRS had completely disappeared from the equation. On the contrary, the IRS officials continued to push for the Spanish recognition until the very end of April 1945. Therefore, it is important to avoid teleological interpretations in our nomenclature and understand that period of coexistence between the Kingdom of Italy and the ISR as one full of uncertainties for both international actors. More about the struggle for official recognition and the role played by the Francoist regime can be found in Del Hierro, *Spanish–Italian Relations*, 22–38.

24. Report from Navasqués, then retransmitted by Lequerica to Franco, February 16, 1945, doc. no. 232, FNFF.

25. The Italian appointment would, in fact, be immediately accepted by the Spanish authorities. Telegram from Jordana to Barcenas, July 30, 1944, bundle 1.273, folder 1, AMAE. Del Hierro, “Una figura chiave nei rapporti italo-spagnoli.”

With the end of World War II, the new Italian government decided to keep the policy toward the Francoist regime unaltered. Even though political cooperation was not contemplated as an option, both the Parri and the De Gasperi governments understood that the country still had important interests in Spain that needed to be defended and, if possible, fostered. Let us not forget that, before the signing of the Peace Treaty in February 1947, Italy had a weak international position as a defeated country.²⁶ Accordingly, if the authorities in Rome wanted to regain the prestige lost during the war and again play a significant role in the international sphere, it was necessary to mobilize all assets at their disposal, even if this involved maintaining diplomatic relations with a dictatorship like Franco's. Ultimately, the main factor behind this general policy was the fostering of industrial cooperation as a way to ensure that the Italian companies, much more advanced technologically, would eventually benefit from the process of modernization that Spain would have to undergo sooner or later. This conjunction of interests between Madrid and Rome materialized through the January 1946 commercial agreement, which inaugurated a new phase in the bilateral relationship.²⁷

The two mining groups took advantage of this positive political climate between Madrid and Rome. After a number of preparatory meetings held in Zürich during the summer of 1946, a new cartel agreement was finally signed in July. In the agreement, Spain regained the part of the cartel quota that it had lost in 1939. The cartel appointed different selling agents for all the important international mercury markets. In the United States, the two groups trod very carefully, but in the end chose to appoint Philipp Brothers of New York as their agent, not the least because this agency would use a London-registered company to carry out the sales in the United States, which meant that Washington would avoid having direct dealings with the cartel.²⁸

The cartel partners had every reason to be careful in their U.S. operations. The Truman administration had from the outset shown a general hostility toward cartels, and in June 1946, the U.S. government sent official notes to the Italian and Spanish ministries

26. For Italian foreign relations in the years immediately after the end of World War II, see Di Nolfo, Rainero, and Vigezzi, *L'Italia e la politica di potenza in Europa (1945-50)*; Varsori, *L'Italia nelle relazioni internazionali*; Di Nolfo and Serra, *La gabbia infranta*; Palazzo, *La politica estera di De Gasperi*; Brogi, "Orizzonti della politica estera italiana"; Medici, *Dalla propaganda alla cooperazione*; Mammarella and Cacace, *La politica estera dell'Italia*; Romero and Varsori, *Nazione, interdipendenza, integrazione*.

27. Del Hierro, *Spanish-Italian Relations*, 115-116.

28. Minutes of meetings of the board of directors of Mercurio Europeo, July 21 to August 2, 1946, in Zürich, Libro de actas del comité directivo del Mercurio Europeo, R-15/519, AHMA.

of foreign affairs to express its concern about a possible reconstitution of the mercury cartel. The note combined a powerful mix of anti-cartel ideology and domestic regional politics: the U.S. authorities argued that if the cartel was reconstituted and this led to a period of lower prices, it would jeopardize the future of the U.S. mercury producers. At the time, there were 146 mercury mines operating in the United States, 14 of which were defined as large mines.²⁹ Although these mines did not produce as much quality mercury as their Spanish and Italian counterparts, and at greater expense, they were very important to the economy of the western part of the country and were supported by a powerful mining lobby.³⁰

It is only natural that the U.S. mercury producers should worry about the potential for a dumping price policy by the cartel. The mercury deposits in the United States were of a significantly lower quality than the European deposits, and production could only be increased in tandem with operating costs. In 1933 the average production cost for U.S. mercury producers was \$59.48 per flask, by 1943 the operating costs had increased to \$192 per flask. At the same time, Spain and Italy were cutting their production costs.³¹ According to the Spanish ambassador in Rome, the Italian Monte Amiata had managed to reduce the production costs by \$100 per flask during 1945. Sangróniz found this particularly impressive, considering the damages suffered by the Italian mercury mines during the war.³²

The U.S. démarche provoked serious concerns in Madrid and Rome, to the extent that the countries issued a joint memorandum in an attempt to reassure the U.S. government. The aim of the document was to convey three main ideas. First, the recent agreement signed between the two parties did not reconstitute the cartel, because it had never ceased to exist since its foundation in 1928. Second, the goal of the cartel was neither to compress the markets nor to tamper with the price, but to “frustrate the manoeuvres conducted by big speculators who, before 1928, obtained enormous and unfair amounts of money out of the mercury commerce, thus damaging both the companies and the consumers.” Precisely because of that, and this was the third idea, the cartel did not work as a proper cartel but as a mere sales office. In this way, mercury was not sold by the cartel itself, but through different

29. Martín-Artajo to the Spanish ambassador at Rome, José Antonio de Sangróniz, telegram, June 15, 1946, box 54/16718, Mercury, AGA.

30. For the importance of the mining lobby, see, for instance, Limbaugh, *Tungsten*, 209.

31. Sangróniz to Martín-Artajo, letter, September 26, 1945, box 54/16718 Mercury, AGA.

32. Sangróniz to Martín-Artajo, letter, September 17, 1945, box, 54/16718 Mercury, AGA.

representatives around the world who had been chosen after a public tender. Accordingly, the producers argued rather ingeniously, the mercury prices were not established by the cartel, but by the representatives and the buyers.³³ The arguments put forward by Mercurio Europeo did not convince the U.S. government about the great benefits of the cartel, but Washington did not take any immediate steps against it.

In all truth, the cartel partners did not need the U.S. government to create difficulties for them, they were able to do that perfectly well on their own. The first years after the re-formation of the cartel were ripe with tensions, mistrust, and examples of miscommunication. But the biggest problem that the cartel had to face in this period was to fix a price that would benefit producers in both countries. Throughout 1946, the Spanish group complained repeatedly that the Italian independent mercury producers (the mercury mines not controlled by the Italian state) undercut the official cartel prices, especially on the U.S. market. The first serious complaint had already been issued by Minister Artajo himself on January 15, 1946.³⁴ In cartel meetings, the Spanish representatives backed up their claims with reports from different journals and from news agencies. Exasperated by the Italian practice, the Almadén representatives threatened to disband the cartel if the practice did not end.³⁵

At the same time, the demand for mercury on the world market during 1947 and 1948 was very weak, and the cartel, after hefty internal debates, lowered the official selling price. During the war, the price of mercury had often fluctuated around \$200–\$250 per flask, but by 1948 it was down to \$76 (for price developments see [Figure 2](#)). By the end of 1948, nearly all the mercury mines in the United States and Mexico had been forced to close down because of the low prices. The Idria mines, which after World War II had become a part of Yugoslavia, did not export to the Western world in this period, which meant that the cartel had little competition (see [Figure 1](#)).³⁶

The low mercury prices from 1947 onward created a new backlash against the cartel in the United States, where the mining lobby argued that the Spanish–Italian cartel had succeeded in eliminating outside competition by deliberately depressing the price of mercury to a point

33. Excerpt of memorandum sent by the Mercury Cartel to the U.S. government, attached to: Sangroniz to Martín Artajo, letter, June 28, 1946, box 54/16718 Mercury, AGA.

34. Martín-Artajo to Sangróniz, telegram, June 15, 1946, box 54/16718, Mercury, AGA.

35. Minutes of meeting of the board of directors of Mercurio Europeo, December 7–8, 1946, in Geneva, Libro de actas del comité directivo del Mercurio Europeo, R-15/519, AHMA. See also the earlier meetings in the cartel held that year.

36. Pennington, *Mercury*, 67.

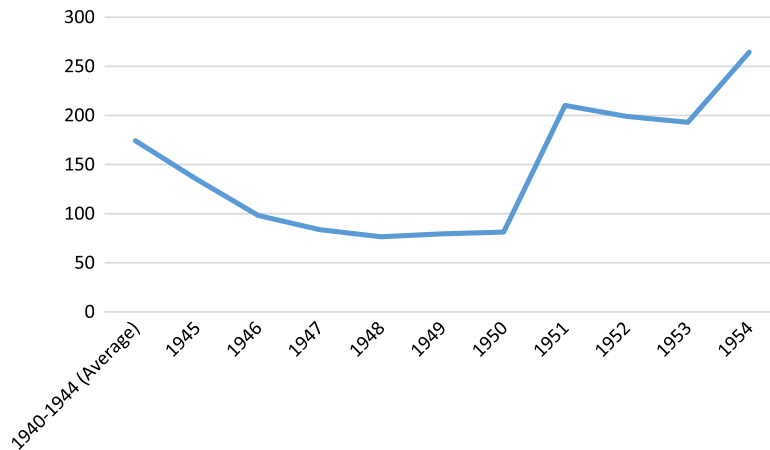


Figure 2 Average price per flask in U.S. dollars, New York, 1940–1954.

Source: Bureau of Mines, *Minerals Yearbook*, 1945–1954.

that no other producers in the Western world could compete.³⁷ In a number of articles accusing the “ruthless” Spanish–Italian cartel of putting U.S. mercury mines out of business, U.S. mining interests argued that there was a Spanish–Italian intrigue or master plan by which the “cartel was selling its product in this country at an artificially low price in order to eliminate American competition.”³⁸

The Italian and Spanish producers were aware that a low-price policy could force competitors out of the industry, something the Spanish group was especially eager to do. The Spanish representatives in the cartel wanted to utilize Almadén’s lower production cost to create demand through lower prices, while the Italian group argued that they would lose money if they dropped the price. The Italians also feared that lower prices on the U.S. market would lead to the cartel being prosecuted for breaking the U.S. antidumping law. These fears were exemplified in an article published in 1947 by the prestigious Italian financial newspaper *Il Globo*, which acted as an unofficial mouthpiece for the Italian businessmen linked to the Christian Democrats. In this article, the author wondered about the convenience of continuing to lower the mercury prices and warned about a possible U.S. reaction. In

37. Memorandum from Wilson to Dixon, August 22, 1949, U.S. National Archives, record group 56, State Department decimal file, 7 11–65, box 3382 A, SDDF.

38. Two examples of these articles can be found in the *Wall Street Journal*, “Spanish–Italian Cartel Driving US Mercury Mines Out of Business,” May 12, 1947; *Associated Press*, interview with S. H. Willinston, vice president of the Cordero Mining Company of Nevada, May 20, 1948. The interview is reproduced in a letter from Germán Baraibar to Artajo, May 20, 1948, box 54/16718 Mercury, AGA.

particular, the author feared that if the cartel did not change its price policy, Washington could be tempted to raise the import tariffs, which at the time were at \$19.25 per flask. This increase in the import tariffs could be, according to said article, detrimental to the interests of the Spanish–Italian cartel, which at the time was selling, through local agents, at the prize of \$60 FOB per flask. The author of the article is unknown, although it is said that it came from a source in Washington. A copy of the article can be found in a letter sent by Sangróniz to Artajo on October 27, 1947,³⁹ thus showing that the Italian warning had reached the highest echelons of the Francoist regime. The article constituted an open warning to the Spanish group, but the latter dismissed it by arguing that because the company was government owned, it could not risk breaking any U.S. laws.⁴⁰

During 1948 and 1949, the cartel partners struggled with two inter-linked questions: the behavior of the smaller privately owned Italian mercury mines on the U.S. market and the challenges of finding a sales representative for the cartel in the United States. In meeting after meeting, the Spanish group complained that the smaller Italian producers were undercutting the official sales price, and while the Italian group promised to take the matter up with the free riders, the practice continued. The Spanish group also complained regularly that they did not receive full reports of how much mercury the different Italian producers had exported in 1947 and 1948, making it impossible to know whether or not the participants had respected the quotas that they were allocated in the cartel contract.

The problem was that even though the Italian group wanted to keep a higher price than the Spanish group desired, they obviously still wanted to maintain freedom to maneuver for their smaller producers, thus undercutting the effectiveness and cohesion of the cartel. The price policy was also the main factor behind the cartel's problem with its U.S. agent Philipp Brothers. The U.S. trading company insisted that the prices should be lowered significantly, and the contract with the cartel was terminated when the producers refused. Instead Mercurio Europeo negotiated with a competing metal trader, Grace & Co. Yet, Grace & Co. eventually withdrew from the negotiations, arguing fears of the U.S. antitrust regulations.⁴¹ Being the exclusive agent of a cartel was obviously not without its problems in a country where cartels were

39. Sangróniz to Artajo on October 27, 1947, box 54/16718 Mercury, AGA.

40. Minutes of meetings of the board of directors of Mercurio Europeo, May 3, 1947, in Rome and August 8, 1947, in Geneva, Libro de actas del comité directivo del Mercurio Europeo, R-15/519, AHMA.

41. Minutes of meetings of the board of directors of Mercurio Europeo, August 8, 1947, in Geneva, Libro de actas del comité directivo del Mercurio Europeo, R-15/519, AHMA.

illegal. However, the problem with agents and (relatively) small-scale cheating paled compared with the challenge that the cartel was confronted with in the spring of 1949.

The Cartel Breakdown

In April 1949, the fortunes of the cartel thoroughly changed when representatives of the U.S. government approached both the Spanish and the Italian groups for the delivery of eighty thousand flasks of mercury. This was a huge order, nearly as high as the total annual output of the two groups combined, aimed at fulfilling the U.S. stockpiling program for mercury. At the same time, though, this was not an unusual practice in Washington. After the close of World War II, large quantities of mercury had been held by the government as war surplus. These holdings were transferred to the permanent stockpile under the Strategic and Critical Materials Stock Piling Act approved on July 23, 1946. The 1946 law became the basis for building up a large stockpile of strategic and critical materials.⁴² In a public report dated July 23, 1948, the Munitions Board, which administered the stockpile, listed mercury among Group A materials, that is, those for which stockpiling could insure adequate supply for a future emergency. Subsequently, various additions were made to the inventory, which would culminate with this proposed operation with Mercurio Europeo.⁴³

The U.S. order was connected to the implementation of the Marshall Plan in Europe, under the provisions of the Economic Cooperation Act of 1948, to assure adequate supplies of mercury for both military and essential civil use in case of national emergency. Nevertheless, it is also possible to advance an ulterior motive for the operation. It should be noted that in May 1947, the cartel had received an order from the Soviet Union for twenty thousand flasks that was never fulfilled.⁴⁴ In 1948, during the Italian–Soviet negotiations for Italian war reparations, the Soviet negotiators asked for mercury to be included among the goods the Italian state should provide. According to Segreto, this worried U.S. authorities.⁴⁵ Although there are no definitive archival sources on this, it seems reasonable to assume that, by making a huge purchase of European mercury, the U.S. government would make sure that this

42. Eckes, *Global Struggle*, 138–141.

43. U.S. Tariff Commission, *Mercury*, 21.

44. Minutes of meetings of the board of directors of Mercurio Europeo, May 3, 1947, in Rome, Libro de actas del comité directivo del Mercurio Europeo, R-15/519, AHMA.

45. Segreto, *Monte Amiata*, 163.

strategic material would not end up behind the Iron Curtain. This strategy was typical in the stockpiling programs created and implemented by the Truman administration, as Mats Ingulstad has shown.⁴⁶

The cartel dealt with the initial request from the U.S. authorities in accordance with the internal cartel regulations. In cartel meetings, the two partners decided to offer one hundred thousand flasks to the U.S. authorities and split the order according to the existing cartel quotas.⁴⁷ However, the Italian group soon broke ranks. In April 1949, Giovanni Montagna, the president of the government-owned Monte Amiata entered in agreement with Joseph Zellerbach, representative of the ECA, the agency set up to administer the Marshall Plan, for the sale of eighty thousand flasks of mercury from Italy to the U.S. government stockpile. Sixty-thousand flasks were to be delivered from Monte Amiata, the other twenty thousand were divided between the smaller Italian producers. The purchase would be paid for by the counterpart funds of the ECA.⁴⁸

This blatant breach of contract (and trust) might appear surprising. After all, why would the Italians take the risk of antagonizing their Spanish partner on account of one operation, even if it was a substantial one? Unfortunately, there are no archival records elucidating the reasons behind Monte Amiata's deal with the U.S. government. However, it is possible to better understand this arrangement if one places it in the international context of the time, especially in light of Italy's stronger international role. By the spring of 1949, Italy was already a member of the OEEC, the Council of Europe, and the Atlantic Pact, whereas Spain had been excluded from most international institutions. It is therefore plausible to posit that the Italian officials overplayed their hand in the belief that, because of the country's regained international prestige and closer ties with the United States (in the framework of the ECA), they would be able to keep their Spanish partner in the dark.⁴⁹ In fact, during the next cartel meeting in June 1949, the Italian group did not reveal that an agreement had been made with the ECA. Instead, Montagna told his Spanish partners that he had submitted a bid to ECA in the name of Mercurio Europeo, but that the deadline to answer the offer, which the cartel had set for fifteen days, was not enough for a government agency.

46. Ingulstad, "Winning the Hearths and Mines"; Ingulstad, "The Interdependent Hegemon."

47. Minutes of meeting of the board of directors of Mercurio Europeo, April 2–5, 1949, in Zürich, Libro de actas del comité directivo del Mercurio Europeo, R-15/520, AHMA.

48. Segreto, *Monte Amiata*, 162.

49. For Italian foreign relations at the end of the 1940s, see Varsori, *La Cenerentola d'Europa?*; Campus, *L'Italia, gli Stati Uniti e il piano Marshall*; Ballini and Varsori, *L'Italia e l'Europa*; De Leonardis, *Guerra fredda e interessi nazionali*.

However, there were some indications that something was going on, as the Italian secretary of the cartel, who had been a principal member of all cartel meetings since the late 1930s, was unable to attend the encounter, because he was away in the United States on a question related to his newly appointed role as the Italian government’s mining expert for the execution of the Marshall Plan. Of course, the Italian representative in the meeting assured the Spanish group that this absence was unrelated to the business of Mercurio Europeo.⁵⁰

The Italian plan seems to have been to try to keep the agreement under wraps, with the hope that it would not come to the notice of their Spanish partners. Consequently, the Italian authorities requested that the U.S. authorities keep the transfer secret in order not to jeopardize the future of the cartel. The petition was immediately rejected by the U.S. authorities for two main reasons. On one hand, the U.S. authorities argued that the secrecy of the operation “presumably would only serve to protect the inviolability of the cartel agreement,” which was clearly harming the interests of American producers. And on the other hand, this request was “contrary to the U.S. foreign economic policy,” which aimed at maximum transparency.⁵¹ Accordingly, the U.S. government decided not only to refuse the Italian request for secrecy, but also to advertise the deal in an official bulletin, as well as in financial newspapers. After all, why would the Americans do anything to help a cartel that was harming so many of their interests? At the end of World War II, there had been 146 active mercury mines in the United States, by mid-1948 that number was down to two, and one of these would close in July 1948. Of course, it was unrealistic to think that the dissolution of the Spanish–Italian cartel would reactivate this sector of the U.S. economy, but it is easy to understand why Washington did everything it could to harm a partnership that was perceived to have had such a negative impact on the U.S. quicksilver producers.⁵²

Before the next cartel meeting could take place in Zürich, barely a month later, the news was already out. Consequently, the meeting turned out to be a very tense affair. The Spanish representatives started the encounter with a straightforward *j’accuse*, claiming that the U.S. media had published information based on official reports that

50. Minutes of meeting of board of directors of Mercurio Europeo, June 10, 1949, Zürich, Libro de actas del comité directivo del Mercurio Europeo, R-15/520, AHMA.

51. Memorandum from Wilson to Dixon, August 22, 1949, U.S. National Archives, record group 56, State Department decimal file, 7 11–65, box 3382 A, SDDF.

52. For more on the impact of the cartel in U.S. mercury mines, see *Associated Press*, interview with S. H. Willinston. The interview is reproduced in a letter from Germán Baraibar to Artajo, May 20, 1948, box 54/16718 Mercury, AGA. The interview is reproduced in a letter from Baraibar to Artajo, AGA.

forty-five thousand flasks of Italian mercury had been unloaded in Philadelphia. When the Almadén company found out, they immediately telegraphed Rome to ask for an explanation from their Italian colleagues, but none had been forthcoming. The Italian representatives answered that they did not respond because they waited for this reunion. Montagna claimed, rather deceitfully, that the Italian producers had only learned about this affair from foreign newspapers. The delivery had not been made by the Italian mines, but by the Italian government as part of a wider operation in connection with the Marshall Plan. The Italian government had made an official statement to the Spanish government about this, and the Italian representatives claimed that these deliveries were outside the regulations of the cartel agreement. Not surprisingly, the explanations given by the Italian group did not convince the Spanish delegation, who decided to break off the meeting with the parting message that they reserved the option to exercise their rights in this affair.⁵³

What this meant soon became clear, as the Spanish group took steps to end the cartel contract with the Italian group in August 1949 effective from January 1950. The Almadén directors also initiated a lawsuit in the Italian court system against the Italian producers to sue them for reparations for breaking the terms of the cartel agreement. The Spanish reaction seems to have taken the Italian producers by surprise, and they tried to maintain business as usual. In November and December 1949, the Italian group repeatedly tried to engage Almadén in discussions about how much the Spanish group had exported during the year, with the aim of establishing the size of cartel quotas, but the Spanish representatives pointed to the fact that the cartel was over and that they would not respond to this question until the issue of the Italian deception had been settled.⁵⁴

While Monte Amiata tried to patch things up again, the Spanish group made plans for a post-cartel existence. In late November 1949, the Spanish Ministry of Finance gave the order to set up a new sales committee for Almadén that would take over the responsibilities from the Spanish committee of Mercurio Europeo. This new committee would also be responsible for pursuing the liquidation of the cartel contract and the question of reparations for the breach of the agreement. The committee quickly took steps to set up a new commercial organization by entering into contracts with the former sales agents for the cartel to market Almadén's mercury in different markets. According to these contracts,

53. Minutes of meeting of board of directors of Mercurio Europeo, July 25, 1949, Zürich, Libro de actas del comité directivo del Mercurio Europeo, R-15/521, AHMA.

54. Minutes of meeting of sales committee of Almadén, December 9, 1949, Libro de actas del comité de venta, AHMA.

the agents would not be allowed to deal in Italian mercury, thus leaving the Italian producers without agents in all the main markets.⁵⁵

The Almadén company also stepped up its sales activity by starting a price war with the Italians. By lowering the prices, the Spanish group made important sales both to the U.S. trading company Philipp Brothers (a total amount of seven thousand flasks) and to the British Imperial Chemical Industries (twenty thousand flasks).⁵⁶ The source material from Almadén also implies that the company sold forty thousand flasks of mercury to the Soviet Union through an unnamed Swiss trading company in 1950, but it is difficult to ascertain whether this politically explosive deal went through.⁵⁷

Living Without the Cartel

The Mercurio Europeo debacle came at a difficult time in Spanish–Italian relations. Even though both countries had managed to establish friendly relations after the end of World War II, the atmosphere started to deteriorate at the end of 1946, when the Italian authorities decided to follow the UN condemnatory resolution against the Francoist regime and withdrew the country's ambassador from Madrid. Although the departure of the Italian ambassador did not alter the essence of the relationship, it created a feeling of unease among the Spanish authorities who had expected a friendlier gesture from a country that was not even a part of the United Nations. And while Madrid and Rome managed to momentarily patch up their differences and in 1947 signed a new commercial agreement, diplomatic relations continued to erode, reaching their lowest point during the spring and summer of 1948.⁵⁸

The Italian group was determined to utilize all existing channels to try to repair the cartel. Because this was an issue in which the economic aspects were deeply entangled with the political dimension, it should be addressed accordingly. As the impasse showed, it was almost impossible to negotiate with the Spanish competitor without making a gesture of

55. Minutes of meeting of sales committee, Almadén, December 23, 1949, sales committee Almadén, AHMA.

56. For the Philipp Brothers sales, see minutes of meeting of sales committee, Almadén, January 13, 1950; for Imperial Chemical Industries, see minutes of meeting December 9, 1949, Libro de actas del comité de venta; for information about the effect of the price war, see minutes of meeting of sales committee, Almadén, February 4, 1950; all AHMA.

57. Minutes of meeting of sales committee, Almadén, January 27 and March 3, 1950, AHMA.

58. Del Hierro, *Spanish–Italian Relations*, 135–144.

goodwill toward the Francoist regime. It was thus necessary to involve the Italian government in the negotiations; only the Italian authorities could bargain with their Spanish counterpart in the context of an improvement in the bilateral relations. Accordingly, from December 1949 until 1954, the Italian government launched a series of diplomatic initiatives aimed at the settlement of the legal dispute and the eventual resurrection of *Mercurio Europeo*. Those included the sending of diplomatic notes to the Spanish authorities, the discussion of the topic in different meetings to address the evolution of bilateral relations, and even mediation by the highest levels of the ruling Italian Christian Democratic party.

The first peak of this strategy was reached between the months of December 1949 and March 1950. The triggering event was the visit of Minister Artajo to Rome on the occasion of the inauguration of the Holy Year. Although the main aim of the visit was to foster relations between Madrid and the Vatican, it had already been decided that the Spanish minister would also meet with some of members of the De Gasperi government. Montagna, the president of Monte Amiata, seized the opportunity and sent a letter to De Gasperi's right-hand man, Giulio Andreotti, asking him to mediate with Artajo in favor of the resumption of the cartel.⁵⁹ Andreotti accepted the mission, but his attempts failed, mainly because Artajo had been instructed by the minister of the treasury, Joaquín Benjumea, to avoid any formal arrangements if the topic was raised.⁶⁰ It was clear that the Spanish authorities were not ready yet to find a solution to the mercury dispute.

The Italian authorities then raised the stakes by directly involving the Italian minister of foreign affairs, Carlo Sforza, in the negotiations. On February 15, 1950, Sforza, sent an official letter to his Spanish colleague, Alberto Martín Artajo. This letter is very important for two main reasons. First, because Sforza hinted that, in case this problem was satisfactorily solved, Italy was willing to consider a serious improvement in diplomatic relations between Madrid and Rome, especially in the area of industrial cooperation. And second, the letter constituted a crucial political gesture in itself, as it represented the first time since the end of World War II that an Italian minister of foreign affairs directly addressed a Spanish minister of foreign affairs. Furthermore, this letter shows the extent of the economic interests at stake for Italy in this case.⁶¹ In fact, Carlo Sforza had since his arrival to the

59. Montagna to Andreotti, letter, December 26, 1949, *Accordi Italo-Spagnoli*, bundle 235/6, AIS.

60. Ibañez Martín to Artajo, telegram on behalf of the Spanish minister of the treasury, Joaquín Benjumea, December 21, 1949, bundle 2.045, folder 14, AMAE.

61. Sforza to Capomazza, telegram, February 15, 1950, *Affari Politici*, Spain, 1950, folder 22, ASMAE. This telegram contained an official message from Sforza to Artajo that would be transmitted that very day.

Palazzo Chigi been delaying the possibility of normalizing diplomatic relations with the Francoist regime in the absence of previous agreement with Britain and the United States.⁶²

Despite Sforza's initiative, the Spanish position remained unaltered. The rationale behind this firmness can be found in the fact that the Spanish government was not really interested in resuming the cartel, at least if the main conditions of the agreement were not modified. Being the partner with the lower production costs, the officials in Spain knew that in the long term it would be more profitable to lower the price set by the mercury cartel to remove competitors, which had been the ultimate goal of Almadén since the end of 1946. In this way, the U.S. scandal had given the Spanish party an opportunity to impose its views. As Artajo explained in his reply to Sforza's letter, if the Italians wanted to keep the cartel alive, they had to agree to lower the price of quicksilver. If the Italians refused, Almadén had a legal excuse to end the partnership without any consequences and, free from any constraints, establish a price as it saw fit according to the rules of the free market. After all, Spanish mercury was more competitive than Italian mercury and, therefore, had more chances of victory in a price war.⁶³

After the failure of Sforza's *démarche*, the Italian authorities decided that it was better to take things slowly and give the Spanish authorities some time to reflect upon the recently altered situation. External events also contributed to delay the settlement of the dispute. Initially, the Spanish price war had driven down the prices for mercury to an all-time low, but with the outbreak of the Korean War, demand skyrocketed and prices went through the roof. The Spanish group grudgingly realized that they were only hurting themselves with their price war. After a short while, the prices for Spanish and Italian mercury started to converge, and the former cartel members were soon informally following each other's prices. As a result of this, both parties gained considerable monopoly profits during the early 1950s.⁶⁴ With the record prices that mercury was fetching from the last half of 1950 onward, both the Spanish and the Italian producers could sell as much mercury as they wanted, and it became less urgent to solve the cartel crisis (see [Figure 2](#)).

Nevertheless, the issue continued to be in the agenda of Monte Amiata, which decided to wait for a better moment to raise the issue again. The moment came at the beginning of 1952, when Spain and Italy started negotiations to sign a new commercial agreement. The person appointed to head those negotiations on the Italian side was Senator

62. Del Hierro, *Spanish–Italian Relations*, 167, 173, 177.

63. Artajo to Sforza, telegram, March 4, 1950, bundle 2.045, folder 14, AMAE.

64. MacKie-Mason and Pindyck, "Cartel Theory and Cartel Experience," 193.

Cesare Merzagora. Merzagora was one of the most important figures not only in the Italian financial world, but also in Italian politics; he was also particularly well known in Spain, as he had publicly defended a pro-Spanish policy in different newspaper articles. There was little doubt that the appointment of Merzagora responded to an Italian ambitious plan that went beyond mere trade: the real goal was to sign a treaty that would lay the groundwork for future industrial cooperation, the long-term ambition of Rome's policy toward Spain since the end of World War II.⁶⁵

Furthermore, it is worth noting that these negotiations coincided with the period when the United States had started to change its policy toward the Francoist regime, opening the door for the concession of substantial loans and military aid to modernize the country. Although the new U.S. policy would not crystallize until September 1953 with the signing of the Pact of Madrid, Italian diplomats had been studying how to benefit from that development since 1951.⁶⁶ In other words, officials in Rome considered that the recent improvement in U.S.–Spanish relations provided the perfect opportunity to sign a new commercial treaty that sought to accomplish three objectives: strengthen economic ties between Madrid and Rome, settle the mercury contention, and also allow the Italians to benefit from the U.S. economic and military aid that was probably forthcoming.⁶⁷

Well aware of these circumstances, Monte Amiata asked Merzagora whether he could mediate with the Spanish authorities for a quick resumption of the cartel. The main idea would be that the Italian government took care of the bulk of the negotiations with Spain and would include the resolution of the dispute between the two mining groups within the new protocol of industrial cooperation.⁶⁸ Merzagora agreed to the request and brought up the issue during several meetings. However, and despite the senator's efforts, no advances were made.⁶⁹ At the same time, though, Merzagora's trip should not be regarded as a complete failure, as the ensuing commercial treaty included an additional protocol that for the first time officially acknowledged the possibility of

65. Del Hierro, *Spanish–Italian Relations*, 201–220.

66. Taliani to De Gasperi, report on the status of Spanish–Italian relations, November 27, 1951, Affari Politici, Spain, 1952, folder 72, ASMAE. The report also discussed the status of U.S.–Spanish relations, arguing that the commercial negotiations would benefit from the rapprochement between Madrid and Washington.

67. Viñas, *Garras del águila*; Bowen, *Truman, Franco's Spain, and the Cold War*.

68. Taliani to De Gasperi, letter, March 26, 1952, Affari Politici, Spain, 1952, folder 159, ASMAE. The letter summarized the main activities carried out by Merzagora during his stay in Spain, including the mandate to negotiate the resumption of the mercury cartel.

69. Taliani to De Gasperi, letter, March 26, 1952, Affari Politici, Spain, 1952, folder 159, ASMAE.

fostering some type of industrial cooperation between the two countries. Despite the vagueness of the commitment, it was still a relevant development, especially if it is considered that the Francoist regime and the United States had just started negotiations to regulate their relations in the economic and the military spheres.

In sum, the issue of *Mercurio Europeo* was now more than an economic affair between two mining companies. Since the United States purchase of eighty thousand flasks in 1949, the mercury cartel had become deeply entangled with international politics and the evolution of diplomatic relations between Spain and Italy. This was very clear to the officials in Monte Amiata, who immediately involved the highest echelons of the De Gasperi government in the resolution of the legal dispute. As a result, their Spanish counterparts also became involved. In other words, it was clear by the end of 1952 that the resolution of the mercury dispute could not be achieved through technical meetings between the representatives of the two mining companies. Instead, the only possible solution entailed the direct intervention of the governments in Madrid and Rome. And for them, the issue was not just about mercury. While the Italian authorities wanted to solve the dispute as a means of driving economic relations to the next level, with the ultimate goal of achieving industrial cooperation, for Spain the issue was more complicated. In the eyes of Minister Artajo, the main goal was political cooperation. However, he was well aware that Italy needed some extra incentives to take the lead in that particular sphere; in that sense, the possibility of preparing the ground for proper industrial cooperation seemed like a reasonable intermediate step. That scenario would become more likely with the beginning of the negotiations in the autumn of 1952 between the United States and the Francoist regime to integrate the latter in the Western security system.

Solving the Mercury Dispute

Despite the advances achieved through the 1952 commercial treaty, the truth of the matter was that, by the end of 1953, the rapprochement between Spain and Italy in the economic field was still hindered by the legal battle between the mercury groups. At the same time, though, the Italian authorities realized that the commercial treaty had created a positive momentum in the bilateral relationship that needed to be seized upon to solve as quickly as possible all previous disagreements between Monte Amiata and Almadén. This task was mainly assumed by the Italian embassy in Madrid and the General Direction of Economic Affairs in Rome, in the context of the visit of an Italian mission to Spain in April 1954 with the purpose of revising the existing

commercial treaties to further facilitate exchanges between the two countries. Once again, the main idea was to address the issue of mercury in the larger context of Spanish–Italian economic relations.⁷⁰

This time the Italian strategy yielded the desired results. In connection with the signing of a new protocol to be added to the existing commercial treaty and signed on May 7, 1954, the Italians finally managed to convince the Spanish authorities to consider withdrawing the lawsuit and start negotiations to find alternative friendly solutions to the mercury dispute. Given this new Spanish predisposition, the Italian Ministry of Foreign Affairs informed Monte Amiata, which sent its president, Giovanni Montagna, to Madrid in May 1954 to iron out the difficulties with Manuel Ocharán, the president of Almadén.⁷¹ In this meeting, the two parties signed an agreement that put an end to the dispute.⁷² For the Italian side, the price for a new agreement was to pay the Spanish group a compensation of \$1.3 million for the unilateral sales made to the United States in 1949, in addition to \$37,000 that the Italian companies owed the Almadén company for sales in 1947 and 1948.⁷³ The Italians would also have to refrain from selling to the United States for a period of at least a year or at maximum eighteen months, unless the value of Spanish exports exceeded a given amount. In the end, the Italian group conceded to more or less the same terms that Almadén had presented in January 1950.

However, the final settlement of the dispute raises the question as to why the cartel partners were able to patch up their differences only in 1954. The main answer must be found in the political dimension of the affair, more than in the economic factors behind the cartel. Indeed, it needs to be considered that the demand for mercury had remained high even after the end of the Korean War. As technological advances linked to the development of atomic energy made mercury an even more important raw material, as it could be used as a cooling agent, the main economic actors at the time shared the conviction that demand would remain strong at least for the near future.⁷⁴ In practice, this meant that both the Spanish and the Italian mining groups were selling as much as

70. Report from the General Direction of Economic Affairs to Attilio Piccini, May 12, 1954, *Affari Politici*, Spain, 1954, folder 22, ASMAE; Sangróniz to Artajo, telegram, May 23, 1954, bundle 3.154, folders 11–12, AMAE.

71. Report to the Ministry of Foreign Affairs from the General Direction of Economic Affairs, May 12, 1954, *Affari Politici*, Spain, 1954, folder 313, ASMAE.

72. Minutes of meeting of Almadén's sales committee, no. 43, July 1, 1954, *libro de actas*, tomo II, R-15/531, AHMA.

73. Minutes of meeting of Almadén's sales committee, August 30, 1954, *libro de actas*, tomo II, R-15/531, AHMA.

74. Rogers to Wilson, letter, September 2, 1954, folder FO 371 113076, NAUK.

they wanted and at the prices that they wanted. For them there was no real urgency to renew the cartel.

In reality, the Italian group was not so much interested in resuming the cartel as in resolving the legal dispute initiated in 1949, which had ever since brought up “harmful repercussions for all our economic relations.”⁷⁵ The main goal was to eviscerate the conflict between the two mining groups as a gesture of goodwill for the benefit of the Spanish authorities. Ideally, the resolution of the mercury conflict would then pave the way for the real objective of Italian foreign policy in Spain: industrial cooperation. This long-term goal had become even more pressing after the signing of the Pact of Madrid in 1953, a treaty in which the United States pledged to furnish economic and military aid to Spain in exchange for permission to construct and utilize air and naval bases on Spanish territory. These agreements, together with the signing of the Concordat with the Vatican, also in 1953, helped provide a patina of international respectability to the Francoist regime.⁷⁶

The Italian authorities quickly saw the potential benefits of the Pact of Madrid and became determined to take advantage of the opportunity in order to adopt a more ambitious economic policy toward Spain. For the first time since the end of the war, it was possible to sit down with Spanish diplomats and discuss issues that went beyond the usual commercial agreements.⁷⁷ Indeed, the U.S.–Spanish agreement implied the concession of substantial aid, both economic and military, to the Francoist regime, a circumstance that could be seized by Italian industry to obtain important benefits. The idea was that a substantial portion of the U.S. dollars destined to modernize the Spanish economy would be spent buying Italian technology and setting projects of bilateral industrial cooperation in motion. However, if the government in Rome wanted the Italian companies to benefit from the U.S. investments, it needed to act quickly. After all, there were many other countries in Europe, like France, the United Kingdom, and West Germany, whose companies also wanted to profit from U.S. loans.⁷⁸

The Spanish side, on the other hand, saw the bilateral relationship in a slightly different light. For the diplomats in Madrid, the ultimate goal was a rapprochement with Italy that would eventually crystallize in the

75. Report from the General Direction of Economic Affairs to Attilio Piccini, May 12, 1954, Affari Politici, Spain, 1954, folder 22, ASMAE.

76. Viñas, *Garras del águila*; Brundu, *L'anello mancante*; Balfour and Preston, *Spain and the Great Powers*; Marquina Barrio, *España en la política de seguridad occidental*; Marquina Barrio, “El Concordato de 1953”; Delgado, *Imperio de papel*; Pardo Sanz, “La política exterior del Franquismo.”

77. Guirao, *Spain and the Reconstruction*.

78. Letter from Taliani to Giuseppe Pella, December 21, 1954, Affari Politici, 1954, folder 246, ASMAE.

form of political cooperation between the two countries. In a context in which the Francoist regime was struggling to end its period of international isolationism, the Spanish authorities, and especially Minister Artajo, became convinced that Italy was one of their most valuable allies. In this regard, some sort of political partnership with Rome was seen as an extremely beneficial development that could yield results in international arenas such as the United Nations, NATO, the ECSC, or a potential Mediterranean Pact. At the same time, though, the Spanish authorities realized that the political rapprochement could only happen gradually in order to avoid the Christian Democratic government running into direct opposition from the left-wing parties in the Italian Parliament. They were aware that the Italian government should be able to present a narrative to justify the Spanish–Italian rapprochement; in that regard, the industrial cooperation provided all parties with a reasonable story to justify why the countries were coming together.

Minister Artajo understood that the Italian attempts in the spring of 1954 to solve the mercury dispute in the context of the commercial agreement constituted a perfect occasion to implement his plans. That is why Artajo became so active in trying to find a solution for the legal dispute. Indeed, between April and June 1954, Artajo, together with the minister of the treasury, Francisco Gómez de Llano, became paramount in exerting pressure on Almadén to put aside the legal contention, thus favoring a friendly resolution to the disagreement between the two mercury groups. It is noteworthy that sources from both the Spanish and the Italian government emphasized the crucial role that Artajo played for the resolution of a conflict that had hindered economic relations for almost five years.⁷⁹

After the politicians had laid the groundwork and cleared away the question of litigation and compensation, Giovanni Montagna and Manuel Ocharán, the directors of Monte Amiata and Almadén, met in Madrid in early August 1954 to sign a new cartel treaty. The two parties agreed to renew the cartel agreement and to have a joint sales organization internationally. The new agreement was to last until the end of 1957, and after that it would be automatically renewed unless one of the partners did not actively end it. The two groups also decided to meet every three months to discuss issues.⁸⁰

On November 4, 1954, the Italian and Spanish mercury producers assembled for the first time since the cartel breakup in 1949. In the

79. Sangróniz to Artajo, telegram, July 23, 1954, bundle 3.154, folders 11–12, AMAE; Angelino Corrias to Attilio Piccioni, June 8, 1954, Affari Politici, Spain, 1954, folder 22, ASMAE.

80. Minutes of meeting of Almadén's sales committee, 30 August, 1954, libro de actas, tomo II, R-15/531, AHMA.

splendor of the Grand Hotel in Paris, the representatives of the two groups cordially greeted one another and professed their friendship. However, despite the opening pleasantries, the meeting quickly descended into recriminations. The Spanish representatives accused the Italian producers of breaking the agreed price policy, and the Italian directors countered by claiming that they had heard that Spanish mercury was offered to prospective buyers at prices below the accepted level. Although they managed to end the meeting in a more conciliatory manner, the trust between the cartel partners was clearly gone.⁸¹

Mercurio Europeo, the international mercury cartel, would never have any cartel meetings again after 1954. In February 1955, Manuel Ocharán wrote to Giovanni Malvezzi of Monte Amiata to say that in light of continued Italian violations of the agreement, the Spanish producer had decided to regain its complete freedom when it came to pricing and sales and to refrain from having any meetings in the near future with the Italian group. This did not, Ocharán reassured Malvezzi, imply that the Spanish group wanted to start a price war with the Italians, and in no way should it hurt the good relations between the two producer groups.⁸² What it did mean, though, was that the cartel was dead, and despite the claims in the existing literature on the mercury cartel, Mercurio Europeo would never be revived. During the rest of the 1950s and 1960s, the two groups would occasionally discuss potential cooperation, but nothing came of it.⁸³

Conclusion

Mercurio Europeo is one of the most well-known international cartels of the twentieth century, and it has been highlighted as “an especially robust cartel” that lasted from 1928 to 1972.⁸⁴ As this article shows, this perception should be qualified: the cartel broke down in 1949 and never really recovered. Yet this does not mean that the international mercury cartel is of less importance as a study object. Jeffrey Fear has argued that international cartels were crucial sites of transnational interaction in the global economy, and he has also pointed out how international cartels can provide examples of the complicated interplay among domestic interest group politics, manufacturers’ objectives,

81. Minutes of meeting of board of directors of Mercurio Europeo, November 4, 1954, Paris, Libro de actas del Comité Exterior de Ventas de las Minas de Almadén, tomo 2, R-15/531, AHMA.

82. Minutes of meeting of Almadén’s sales committee, March 30, 1955, libro de actas, tomo II, R-15/531, AHMA.

83. Minutes of board meetings of Almadén from 1955–1977, AHMA.

84. Fear, “Cartels,” 277.

international industrial rivalry, and geopolitical diplomacy.⁸⁵ Although he developed this argument specifically for the interwar period, it also holds for the period after 1945. In line with Fear's argument, the main premise of this article is that it is not possible to properly understand the history of *Mercurio Europeo* after 1945 without considering the complicated interplay among the different producers, their relationships with their home governments, and the dominating backdrop of the geopolitics of the early Cold War.

It is methodologically challenging to investigate such a site of "transnational interaction," because it involves a number of actors in different contexts and on different levels. However, the complexity can be dealt with by combining a business history approach with the tools of diplomatic history. By investigating the original source material created by business enterprises, we can penetrate the inner workings of the cartel. When *Mercurio Europeo* failed in 1949, it did so for the typical reasons that cartels fail: cheating, free-riding, and a breakdown of trust. Thus, this can be construed as an archetypal example of the challenges of maintaining successful cartel cooperation, illustrating George Stigler's classic argument about cartels.⁸⁶

Yet, as this article shows, the subsequent development of the relationship between the Spanish and Italian mercury producers did not follow a purely economic logic. Far from it, the former cartel partners were caught up in the bigger issues of Spanish–Italian political diplomatic relations. The reawakening of the cartel in 1954 is thus predominantly a story of international politics, rather than of international business. The cartel partners ironed out their differences because it was opportune for both the Spanish and Italian governments to have the issue out of the way. The state of the mercury market in 1954, with high prices and growing demand, meant that there was no urgency for either the Italian or the Spanish mercury directors to reestablish the cartel. The fact that the new agreement did not keep the two groups together for more than one meeting is a clear indication that there was no great desire within either party to maintain the cartel.

The history of *Mercurio Europeo* is complex and multilayered, but in that respect, it is probably not exceptional. Just as in the mercury case, other international cartels in commodities frequently display a similar entanglement of business interests, domestic policy considerations, and geopolitics. Elina Kuorelahti's doctoral thesis on the international timber cartel in the 1930s, for instance, demonstrates the importance of understanding both domestic politics and international diplomacy to

85. Fear, "Cartels," 277.

86. Stigler, "A Theory of Oligopoly."

analyze the development of the cartel.⁸⁷ International commodity cartels thus seems to be especially fertile grounds for research combining the tools of business history with diplomatic history.

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87. Kuorelahti, “Who Wants a Cartel?”

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