

Author Accepted Manuscript version of the paper by

PABLO DEL HIERRO and ESPEN STORLI (2022)

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

Enterprise & Society, Volume 23, Issue 3, September 2022, pp. 825 - 856

DOI: <https://doi.org/10.1017/eso.2021.2>

Distributed under the terms of the Creative Commons Attribution License (CC BY 4.0).

Poisoned Partnership: The International Mercury Cartel and Spanish-Italian Relations, 1945-1954¹

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, the two most influential ministers in Francisco Franco's Government, had heard disturbing rumours that Italian mines had sold mercury to the US 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 US. The metal had been sold by the Italian Government to the US Government through the Economic Cooperation Agency (ECA), as part of the Marshall Plan program.²

The news was received with anger in Madrid, both 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 analyses the development of the international mercury industry in the immediate post-world war II-era. The main focus lies on the relations between the Spanish and

Italian mercury companies, the two largest producer countries of mercury for most of the 20th century. Since 1928, the mercury mines in Italy and Spain cooperated in an international cartel under the name of 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 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 very short time. In the article we trace these developments and investigate the underlying reasons why the cartel broke down, and how and why it was eventually re-established.

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 much as an analysis of commercial cooperation and rivalry, the 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. The article explores the complex interdependence of business and politics that permeated through 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.³ However, since international cartels are situated at the interface of politics, economy and society, of domestic, foreign and foreign economic policy, the study of cartels 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. The 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 1945.⁴ 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 in this literature. 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 the article deepens our understanding of the post-WWII Spanish-Italian bilateral relations and the role of the US within that relationship, as well as contributing to the study of the first phase of the Cold War.

In business history there has been a resurgence in the interest in research on cartels in the last couple of decades.⁵ Although much of this literature focus especially on the interwar years when international cartels dominated international commerce, it is now well-established that despite US attempts to decartelize the international economy after the end of World War II, there was lingering cartelization after 1945, especially in Europe and Japan.⁶ Existing research has demonstrated the ubiquitous presence of international cartels in raw materials, and Valerie Suslow has shown that metal industries have historically had among the highest frequencies of cartel activity of any sector of the economy.⁷

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.⁸ In an influential article, they use the history of the mercury and sulphur 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 Pindyck⁹, the only exception being Miguel López-Morell and Luciano Segreto's recent investigation into the history of the cartel from 1928 to 1954.¹⁰ 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 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 re-awakened 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 post-war 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 does the political aspects of the industry come under scrutiny, most explicitly in the latter article where 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.¹¹ Segreto's monograph about the Italian mercury producer Monte Amiata is more concerned with the political dimensions of the mercury markets.¹² However, in general, the previous literature only to a very little extent takes in the strategic nature of mercury and the implications this had for the development of the industry, especially as the uneasy post-war peace gradually turned to 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, the 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 US and Britain.

The mercury cartel and the post-war 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 already in 1928 but during the Second World War it had slowly withered away, and the last meeting had been held in August 1943. Now the cartel partners were eager to once again work together to regulate the international markets for mercury for their common good. In general, a cartel is a voluntary, private contractual arrangement among independent enterprises to regulate the market.¹³ The aim of the mercury cartel had been to control the prices 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 (from now on 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 since the Spanish and the Italian state controlled the main cartel participants.

The cartel was important for a number of reasons, not the least because mercury was a vital component in a wide range of specialised metallurgical, electrical, and electro-chemical products, many of whom had military applications: in pressure sensing devices, navigational equipment, seals, valves, infrared sensors, semiconductors, security sensors, fulminate for

munitions and blasting caps, as catalysts in the manufacture of materials for chemical warfare, and from 1944 onwards in dry-cell batteries.¹⁴ Mercury was by all accepted standards a strategic material, and it was included on the list of strategic raw materials set up by the US authorities in 1920, 1940 and 1953.¹⁵

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 since it was needed for a number of different products with military applications, it was an attractive export product which gave the producer countries access to sorely needed hard foreign currency, and, as we will see, which also opened the possibility to use the material to promote 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 onwards to create a cartel, until the Italian company finally succeeded in convincing the Spanish company of the advantages of the proposal.¹⁶ 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 the Italian producers were higher than that of Almadén. The Italian producers had much to gain from an agreement that stabilized prices at a high level and which 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 was taken over by the Italian State through IRI.¹⁷

The cartel continued to operate through the Spanish civil war, even though the mines remained under the control of the Spanish Republican Government nearly until the end of the civil war. 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 conflict 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 the Second World War, 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.¹⁸

Already in the summer of 1945, representatives of the Italian and the Spanish mercury producers convened in Madrid. 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 US 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 graph 1). The Mexican output also grew rapidly during the war, especially after the US signed an agreement with the Mexican Government in July 1941 for the sale of the principal part of Mexican mercury.¹⁹ The European 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 US producers. The Spanish group had plans to go to the US

to investigate the markets, talk with US mercury mining companies, and to find a selling agent and invited the Italians to tag.²⁰

<<insert graph 1 around here>>

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 the Second World War, Franco's Spain had been a non-belligerent, 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 begun work to improve its relations with the western powers already 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 US Government, in a joint statement with France and Great Britain, 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 Spain.²¹ 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 1948.²²

While the western powers shunned Spain after the war, its Latin neighbour 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.²³ From that moment onwards, the improvement of diplomatic relations with the Kingdom of Italy would become one of the main priorities of the post-war

Spanish foreign policy.²⁴ In that juncture, the fostering of economic relations (including the possible revival of the mercury cartel) appeared as a perfect vehicle for keeping open relations with Italy.²⁵

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 during the summer of 1944, the Italian Kingdom hurried to appoint a new Ambassador to Spain in an attempt to normalise 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.²⁶

With the end of World War II, the new Italian government decided to keep the policy towards 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 which 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.²⁷ 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 the assets at their disposal, even if it implied 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.²⁸

The two mining groups took advantage of the growing 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 the month of 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 US, the two groups trod very carefully, but in the end chose to appoint Philipp Brothers of New York as agent, not the least because this agency would use a London-registered company to carry out the sales in the US, which meant that it would avoid having direct dealings with the cartel.²⁹

The cartel partners had every reason to be careful in their operations in the US. The Truman administration had from the outset shown a general hostility towards cartels and in June 1946 the US Government sent official notes to the Italian and Spanish Ministries 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 with domestic regional politics: the US authorities argued that if the cartel was reconstituted and this led to a period of lower prices, it would jeopardize the future of the US mercury producers. At the time, there were 146 operating mercury mines in the US, 14 of which were defined as large mines.³⁰ Although these mines did not produce as much quality mercury as the Spanish and Italian counterparts, and they did it more expensively, they were very important to the economy of the Western part of the country and were supported by a powerful mining lobby.³¹

It is only natural that the US mercury producers should worry about the potential for a dumping price policy by the cartel. The mercury deposits in the US were of a significantly lower quality than the European deposits, and the production could only be increased in tandem with operating costs. In 1933, the average production cost for US mercury producers was \$59,48 per flask, in 1943 the operating costs had increased to \$192 per flask. At the same time,

Spain and Italy were lowering their production costs.³² 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.³³

The US demarche provoked serious concerns in Madrid and Rome, to the extent that the countries issued a joint memorandum in an attempt to reassure the US Government. The aim of the document was to convey three main ideas. Firstly, the recent agreement signed between the two parties did not re-constitute the cartel because it had never ceased to exist since its foundation in 1928. Secondly, 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 proper cartel but as a mere sales office. In this way, mercury was not sold by the cartel itself, but through different representatives around the world which 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.³⁴ The arguments put forward by Mercurio Europeo did not convince the US 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 US Government to create difficulties for themselves, 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 US market. The first serious complaint was issued by Minister Artajo himself already on January 15, 1946.³⁵ 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.³⁶

At the same time, during 1947 and 1948 the demand for mercury on the world market was very weak, and the cartel, after hefty internal debates, lowered the official selling price. During the war, the mercury price had often fluctuated around \$200-250 per flask, but by 1948 it was down to \$76 (for price developments see graph 2). By the end of 1948, nearly all the mercury mines in the US and in 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 graph 1).³⁷

<<insert graph 2 around here>>

The low mercury prices from 1947 onwards created a new backlash against the cartel in the US, 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 that no other producers in the Western world could compete.³⁸ In a number of articles accusing the ‘ruthless’ Spanish-Italian cartel of putting US mercury mines out of business, US 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’.³⁹

The Italian and Spanish producers were aware that a low-price policy could force competitors out of the industry, something which especially the Spanish group was 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 US market would lead to the cartel being prosecuted for breaking the US anti-dumping 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 US reaction. In 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 piece, detrimental to the interests of the Spanish-Italian cartel which at the time was selling, through local agents, at the price 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 27 October 1947⁴⁰, 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 since the company was government-owned, it could not risk breaking any US laws.⁴¹

During 1948 and 1949, the cartel partners struggled with two interlinked questions: the behaviour of the smaller privately-owned Italian mercury mines on the US market and the challenges of finding a sales representative for the cartel in the US. 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 freeriders, 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 of manoeuvre 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 US agent Philipp Brothers. The US 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 US anti-trust regulations.⁴² Being the exclusive agent of a cartel was obviously not without its problem in a country where cartels were illegal. However, the problem with agents and (relatively) small-scale cheating paled 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 US Government approached both the Spanish and the Italian group for delivery of 80,000 flasks of mercury. This was a huge order, nearly as high as total annual output of the two groups combined, aimed at fulfilling the US 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.⁴³ 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.⁴⁴

The US 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 motivation for the operation. It should be noted that in May 1947, the cartel had received an order from the Soviet Union for 20,000 flasks which never went through.⁴⁵ In 1948, during the Italian-Soviet negotiations for Italian war reparations, the Soviet negotiators asked for mercury to be included among the goods which the Italian state should pay. According to Segreto, this worried US authorities.⁴⁶ Although there are no definitive archival sources on this, it seems reasonable to assume that, by making a huge purchase of European mercury, the US Government would make sure that the 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 elucidated.⁴⁷

The cartel dealt with the initial request from the US authorities in accordance with the internal cartel regulations. In cartel meetings, the two partners decided to offer 100,000 flasks to the US authorities and split the order according to the existing cartel quotas.⁴⁸ However, soon the Italian group broke rank. In April 1949, Giovanni Montagna, the President of the government-owned Monte Amiata entered in agreement with Joseph Zellerbach, representative of the Economic Cooperation Administration (ECA), the agency set up to administer the Marshall plan, for the sale of 80,000 flasks of mercury from Italy to the United States Government stockpile. 60,000 of the flasks were to be delivered from Monte Amiata, the other

20,000 were divided between the smaller Italian producers. The purchase would be paid for by the counterpart funds of the ECA.⁴⁹

This blatant breach of contract (and trust) might appear as surprising. After all, why would the Italians take the risk of antagonising the 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 US 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 at the time. 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 the hypothesis that the Italian officials overplayed their hand in the belief that, because of the country's regained international prestige and the closer ties with the US (in the framework of the ECA), they would be able to keep the Spanish partner in the dark.⁵⁰ 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 15 days, was not enough for a government agency. However, there were some indications that something was going on, as the Italian secretary of the cartel, who had been a staple of all cartel meetings since the late 1930s, was unable to attend the encounter because he was away in the US 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.⁵¹

The Italian plan seems to have been to try to keep the agreement under the lid, with the hope that it would not come to the notice of their Spanish partners. Consequently, the Italian

authorities requested that the US authorities should keep the transfer secret in order not to jeopardize the future of the cartel. The petition was immediately rejected by the US authorities for two main reasons. On one hand, the US 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 US foreign economic policy’ which aimed at maximum transparency.⁵² Accordingly, the US 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 which was harming so many of their interests? At the end of World War II there had been 146 active mercury mines in the US, 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 US 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 US quicksilver producers.⁵³

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 US media had published information based on official reports that 45,000 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 learnt 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 of the regulations of the cartel agreement. Not surprisingly, the explanations given by the Italian group did not convince the Spanish delegation which decided to break off the meeting with the parting message that they reserved the option to exercise their right in this affair.⁵⁴

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 cheating had been settled.⁵⁵

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 which 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, the agents would not be allowed to

deal in Italian mercury, thus leaving the Italian producers without agents in all the main markets.⁵⁶

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 US trading company Philipp Brothers (a total amount of 7,000 flasks) and to the British Imperial Chemical Industries (20,000 flasks).⁵⁷ The source material from Almadén also implies that the company sold 40,000 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.⁵⁸

Living without the cartel

The Mercurio Europeo debacle came at a difficult time in the Spanish-Italian relations. Even though both countries had managed to establish friendly relations after the end of the Second World War, 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 relations, it created a feeling of unease among the Spanish authorities who had expected a friendlier gesture from a country which 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 its lowest point during the spring and summer of 1948.⁵⁹

The Italian group was determined to utilize all existing channels to try to repair the cartel. Since 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 goodwill towards the Francoist regime. It was thus necessary to involve the Italian Government in the negotiations; only the Italian authorities could bargain with the Spanish counterpart in the context of an improvement in the stagnated bilateral relations. Accordingly, from December 1949 and until 1954, the Italian Government launched a series of diplomatic initiatives aimed at the settlement of the legal dispute and the eventual resumption 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 the mediation of 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 favour of the resumption of the cartel.⁶⁰ Albeit Andreotti accepted the mission, his attempts failed, mainly because Artajo had been instructed by the Minister of the Treasury, Joaquin Benjumea, to avoid any formal arrangements if the topic was brought up.⁶¹ 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 15th, 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 secondly, the letter constituted a crucial political gesture since it was the first time since the end of the Second World War that an Italian Minister of Foreign Affairs addressed directly a Spanish Minister of Foreign Affairs. Furthermore, this letter shows the extent of the economic interests at stake for Italy in this case.⁶² In fact, Carlo Sforza had since his arrival to the ‘Palazzo Chigi’ been delaying the possibility of normalizing diplomatic in relations with the Francoist regime, at least without the previous agreement of Britain and the US.⁶³

Despite of 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 lowest production costs, the officials in Spain knew that in the long-term it would be more profitable to lower the price of the mercury cartel to remove competitors, which had been the ultimate goal of Almadén since the end of 1946. In this way, the US scandal had given the Spanish party an opportunity to impose its views on the matter. 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 quicksilver price. If the Italians refused, Almadén had a legal excuse to end the partnership without any legal consequences and, free from any constraints, be able to establish the price that it would see fit according to the rules of the free market. After all, the Spanish mercury was more competitive than the Italian one and, therefore, had more chances of victory in a price war.⁶⁴

After the failure of Sforza’s demarche, the Italian authorities decided that it was better to take things slowly and give the Spanish authorities some time to reflect upon the recently created 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 to the roof. The

Spanish group grudgingly realised that they were only hurting themselves with their price war. After a short while the price for Spanish and Italian mercury had started to converge again, and the former cartel members were soon informally following each other prices. As a result of this, both parties gained considerable monopoly profits during the early 1950s.⁶⁵ With the record prices that mercury was fetching from the last half of 1950 and onwards, 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 graph 2).

Nevertheless, the issue continued to be in the agenda of Monte Amiata, which decided to wait for a better moment to re-raise the issue. 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 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 which went beyond mere trade: the real goal was to sign a treaty which would set the ground for future industrial cooperation, the long-term ambition of Rome's policy towards Spain since the end of World War II.⁶⁶

Furthermore, it is worth noting that these negotiations coincided with the period when the United States had started to change its policy towards the Francoist regime, opening the door for the concession of substantial loans and military aid to modernise the country. Although the US new policy would not crystallise until September 1953 with the signing of the Pact of Madrid, the Italian diplomats had been studying how to benefit from that development since 1951.⁶⁷ In other words, officials in Rome considered that the recent improvement in US-Spanish relations provided the perfect opportunity to sign a new commercial treaty which 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 US economic and military aid which was probably about to be settled.⁶⁸

Well aware of this context, Monte Amiata asked Merzagora if 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 include the resolution of the dispute between the two mining groups within the new protocol of industrial cooperation.⁶⁹ Merzagora agreed to the request and brought up the issue during several meetings. However, and despite the Senator's efforts, no advances were made.⁷⁰ At the same time, though, Merzagora's trip should not be regarded as a complete failure since the ensuing commercial treaty included an additional protocol that for the first time officially acknowledged the possibility of 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 US 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 US purchase of 80.000 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. In doing so, the Spanish counterparts became also entangled in the issue. In other words, by the end of 1952 it was clear 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 necessarily 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 also as a way to take 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 a 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 US 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 realised that commercial treaty had created a positive momentum in the bilateral relationship which 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 the exchanges between the two countries. Once again, the main idea was to address the issue of mercury in the larger context of the Spanish-Italian economic relations.⁷¹

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. With 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.⁷² In this meeting, the two parties signed an agreement which put an end to the disagreement.⁷³ 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 US in 1949, in addition to \$37,000 which the Italian companies owed the Almadén company for sales in 1947 and 1948.⁷⁴ The Italians would also have to refrain from selling to the US for a period of at least a year or at maximum 18 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, 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, since 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.⁷⁵ In practice this meant that both the Spanish and the Italian mining groups were selling as much as 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 to solve the legal dispute initiated in 1949 and which had ever since brought up “harmful repercussions for all our economic relations”.⁷⁶ The main goal was to eviscerate the conflict between the two mining groups as a gesture of goodwill in front of the Spanish authorities. Ideally, the resolution of the mercury conflict would then pave the way for the real objective of

the 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, contributed to give a patina of international respectability to the Francoist regime.⁷⁷

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 towards 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.⁷⁸ Indeed, the US-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 amount of the US 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 US investments, it needed to act quickly. After all, there were many other countries in Europe, like France, Britain or West Germany, whose companies also wanted to profit from the US loans.⁷⁹

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 which would eventually crystallize in the form of political cooperation between the two countries. In a context in which the Francoist regime was struggling to end the period of international isolationism, the Spanish authorities, and especially Minister Artajo, became convinced that Italy was one of the most valuable allies. In this regard, some sort of political partnership with Rome was seen as an extremely beneficial development which 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 realised that the political rapprochement could only happen gradually in order to avoid that the Christian Democratic government would run into the direct opposition of 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 in front of Almadén so that the legal contention was put aside, thus favouring a friendly resolution to the disagreement between the two mercury groups. It is noteworthy that sources from both the Spanish and the Italian government put the emphasis on the crucial role that Artajo played for the resolution of a conflict which had hindered economic relations for almost five years.⁸⁰

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.⁸¹

On November 4, 1954, the Italian and Spanish mercury producers assembled for the first time since the cartel break-up in 1949. In the splendour of the Grand Hotel in Paris, the representatives of the two groups cordially greeted each other and professed their friendship for each other. 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.⁸²

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 their 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.⁸³ 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 brought back to life again. During the rest of the 1950s and 1960s, the two groups would occasionally discuss potential cooperation, but nothing came of it.⁸⁴

Conclusion

Mercurio Europeo is one of the most well-known international cartels of the 20th century, and it has been highlighted as “an especially robust cartel” which lasted from 1928 to 1972.⁸⁵ As the article shows, this perception should be qualified, as 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 to how international cartels can provide examples of the complicated interplay among domestic interest group politics, manufacturers’ objectives, international industrial rivalry, and geopolitical diplomacy.⁸⁶ 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 the article is that it is not possible to properly understand the history of Mercurio Europeo after 1945 without taking into account the complicated interplay between 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, freeriding 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.⁸⁷

Yet, as the 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 cartels 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, more than of international business. The cartel partners ironed out their differences because it was opportune for both the Spanish and Italian government 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 among neither the Italian nor the Spanish mercury directors to re-establish 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 among either party to maintain the cartel.

The history of *Mercurio Europeo* is complex and multi-layered, 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 the domestic political level, as well as international diplomacy, to analyse the development of the cartel.⁸⁸ International commodity cartels thus seems to be especially fertile grounds for research combining the tools of business history with diplomatic history.

Bibliography of Works Cited

Books

Balfour, Sebastian and Paul Preston, eds. *Spain and the Great Powers in the Twentieth Century*. London: Routledge, 1999.

Ballini and Varsori (eds.), *L'Italia e l'Europa (1947-1979)*. Soveria Mannelli: Rubbettino, 2005.

Bertilorenzi, Marco. *The International Aluminium Cartel, 1886-1978*, London: Routledge, 2016.

Bowen, Wayne H. *Truman, Franco's Spain, and the Cold War*. Columbia: University of Missouri Press, 2017.

Branciforte, Laura. *Acción política y cultural 1945-1975. Italia y España entre el rechazo y la fascinación*. Madrid: Librería-Editorial Dykinson, 2014.

Brundu Olla, Paola. *L'anello mancante: il problema della Spagna franchista e l'organizzazione della difesa occidentale (1947-1950)*. Sassari: Università degli studi di Sassari, 1990.

Campus, Mauro, *L'Italia, gli Stati Uniti e il piano Marshall*. Roma: Laterza, 2008.

De Leonardis, Massimo, *Guerra fredda e interessi nazionali. L'Italia nella politica internazionale del secondo dopoguerra*. (Soveria Mannelli: Rubbettino, 2014).

Del Hierro, Pablo. *Spanish-Italian Relations and the Influence of the Major Powers, 1943-1957*. London: Palgrave, 2015.

Delgado, Lorenzo. *Imperio de papel: acción cultural y política exterior durante el primer franquismo*. Madrid: CSIC, 1992.

Di Nolfo, Ennio, Romain H. Rainero, and Brunello Vigezzi, eds. *L'Italia e la politica di potenza in Europa (1950-60)*. Milan: Marzorati, 1992.

Di Nolfo, Ennio and Serra, Maurizio. *La gabbia infranta. Gli Alleati e l'Italia dal 1943 al 1945*. Roma: Laterza, 2010.

Eckes, Alfred E. *The United States and the Global Struggle for Minerals*. Austin: University of Texas Press, 1979.

Fellman, Susanna and Martin Shanahan, eds. *Regulating Competition: Cartel registers in the twentieth-century world*. London: Routledge, 2015.

Garavini, Giuliano, *The Rise & Fall of OPEC in the Twentieth Century*. Oxford: Oxford University Press, 2019.

Guirao, Fernando. *Spain and the Reconstruction of Western Europe, 1945–1957. Challenge and Response*, New York: St. Antony's College, 1998.

Hillman, John. *The International Tin Cartel*. London: Routledge, 2010.

Limbaugh, Ronald H. *Tungsten in Peace and War, 1918-1946*, Reno: University of Nevada Press, 2010.

Marquina Barrio, Antonio. *España en la política de seguridad occidental, 1938-1986*. Madrid: Ediciones del Ejército, 1986.

Mammarella, Giuseppe and Paolo Cacace, *La politica estera dell'Italia. Dallo Stato unitario ai giorni nostri*. Roma: Laterza, 2006.

Medici, Lorenzo, *Dalla propaganda alla cooperazione. La diplomazia culturale italiana nel secondo dopoguerra (1944-1950)*. Padova: CEDAM, 2009.

Muñoz Soro, Javier, and Emanuele Teglia, eds. *Patria, Pan, Amore e Fantasia: La España franquista y sus relaciones con Italia (1945-1975)*. Madrid: Editorial Comares, 2017.

Palazzo, Daniele. *La politica estera di De Gasperi. Dal gennaio 1945 al maggio 1947*. Civitavecchia: Prospettiva Editrice, 2006.

Pennington, James Wilson. *Mercury: A Materials Survey, Bureau of Mines, Information Circular 7941*, Washington D.C.: Government Printing Office, 1959.

Romero, Federico and Antonio Varsori, eds. *Nazione, interdipendenza, integrazione*. Rome: Carocci, 2007.

Roush, Gar A. *Strategic Mineral Supplies*. New York and London: McGraw Hill, 1939.

Segreto, Luciano. *Monte Amiata: Il mercurio italiano, strategie internazionali e vincoli extraeconomici*. Milano: Franco Angeli, 1991.

Spar, Deborah L. *The Cooperative Edge: The International Politics of International Cartels*. Ithaca: Cornell University Press, 1994.

Suárez Fernández, Luis. *Franco y la URSS: La diplomacia secreta (1946-1970)*. Madrid: Ediciones Rialp, 1987.

Tusell, Javier. *Franco y Los Católicos: La Política Interior Española Entre 1945 y 1957*. Madrid: Alianza, 1984.

United States Tariff Commission: *Mercury (quicksilver) report to the Congress on Investigation no. 332-32 (supplemental), under section 332 of the Tariff act of 1930, made pursuant to Senate Resolution 206, 87th Congress, adopted September 23, 1961*. (Washington, 1962).

Varsori, Antonio, *L'Italia nelle relazioni internazionali dal 1943 al 1992*. Roma: Laterza, 1998.

Varsori, Antonio, *La Cenerentola d'Europa? L'Italia e l'integrazione europea dal 1946 ad oggi*. Soveria Mannelli: Rubbettino, 2009.

Viñas, Angel. *En las garras del águila: Los pactos con Estados Unidos, de Francisco Franco a Felipe González (1945-1995)*. Barcelona: Crític, 2003.

Articles, Chapters in books, Working Papers, and Theses

Barjot, Dominique and Harm G. Schröter. "General Introduction: Why a Special Edition on Cartels." *Revue Économique*, 64 no. 6 (2013): 957-971.

Brogi, Alessandro. "Orizzonti della politica estera italiana: Stati Uniti, Europa e Mediterraneo (1945-1960)" in *Passato e Presente*, Vol. 62, 2004.

Cañellas Mas, Antonio. "La política exterior española en Italia 1962-1966" in *Nuevos horizontes del pasado. Culturas políticas, identidades y formas de representación: actas del X Congreso de la Asociación de Historia Contemporánea*, edited by Alonso Ángeles Barrio, Jorge de Hoyos Puente and Rebeca Saavedra Arias. Santander: Editorial de la Universidad de Cantabria, 2011.

Dahlström, *Konkurrens, samarbete och koncentration. Kalkstens- och cementindustrin i Sverige, 1871-1982*. Gothenburg: Gothenburg studies in economic history 16, 2015.

Del Hierro, Pablo "Una figura chiave nei rapporti italo-spagnoli. Gallarati Scotti e l'ambasciata a Madrid" in *Tommaso Gallarati Scotti tra totalitarismo fascista e ripresa della vita democratica*, edited by Luciano Pazzaglia and Claudio Crevenna, 139-158. Milan, Cisalpino, 2013.

Fear, Jeffrey. "Cartels and Competition: Neither Markets nor Hierarchies." Boston: Division of Research, Harvard Business School Working papers, 2006.

Fear, Jeffrey. "Cartels." In *The Oxford Handbook of Business History*, edited by Geoffrey G. Jones, and Jonathan Zeitlin, 268-292. Oxford: Oxford University Press, 2008.

Ingulstad, Mats. *Winning the Hearths and Mines: Strategic Materials and American Foreign Policy, 1939-1953*. Unpublished doctoral dissertation. European University Institute, Florence, 2011.

Ingulstad, Mats. "The Interdependent Hegemon: the United States and the Quest for Strategic Raw Materials during the Early Cold War." *The International History Review*, 37, no. 1 (2015), 59-79.

Kuorelahti, Elina. *Who wants a cartel? Regulating European timber trade in the thirties*. Unpublished doctoral dissertation. Helsinki University, 2018.

Levenstein, Margaret and Valerie Suslow. "What Determines Cartel Success?" *Journal of Economic Literature*, 44, no. 1 (2006), 43-95.

Levenstein, Margaret. and Valerie Suslow. "Breaking Up Is Hard to Do: Determinants of Cartel Duration." *Journal of Law and Economics*, 54, no. 2 (2011), 455-492.

Liedtke, Boris. "Spain and the USA, 1945-1975." *Spain and the Great Powers in the Twentieth Century*, edited by Stephen Balfour and Paul Preston, 127-150. London: Routledge, 1999.

López-Morell, Miguell and Luciano Segreto. "The International Mercury Cartel, 1928-1954: Controlling Global Supply." *Business History Review*, 89 (2015), 255-280.

Mackie-Mason, Jeffrey K. and Robert S. Pindyck. "Cartel theory and cartel experience in international minerals markets." In *Energy: Markets and Regulation* edited by Richard L. Gordon, Henry D. Jacoby, and Martin B. Zimmerman, (187-214). Cambridge: MIT Press, 1987.

Marquina Barrio, Antonio. “El Concordato de 1953 entre España y la Santa Sede, cincuenta años después.” In *UNISCI Discussion Papers*, no. 3 (2003), 1-7.

Pardo Sanz, Rosa. “La política exterior del Franquismo: aislamiento y alineación internacional.” In *El Franquismo. Visiones y balances*, edited by Roque Moreno and Francisco Sevillano Caler, 93-118. Alicante: Universidad de Alicante, 1999.

Riccardi, Andrea. “Il Cardinale estero: Giulio Andreotti e la Roma dei papi.” In *Giulio Andreotti: l'uomo, il cattolico, lo statista*, edited by Mario Barone and Ennio Di Nolfo, Rubbettino: Soveria Mannelli, 2010.

Schröter, Harm G. “Cartels Revisited: An Overview on Fresh Questions, New Methods, and Surprising Results.” *Revue Économique*, 64, no. 6 (2013), 989-1010.

Segreto, Luciano and Ben Wubs, “Resistance of the Defeated: German and Italian Big Business and the American Antitrust Policy, 1945-1957”, *Enterprise and Society*, 15 (2014), 307-336.

Stigler, George J. “A Theory of Oligopoly.” *Journal of Political Economy*, 72, no. 1 (1964), 44-61.

Suslow, Valerie. “Cartel contract duration: empirical evidence from inter-war international cartels.” *Industrial and Corporate Change*, 14, no. 5 (2005), 705-744.

Wurm, Clemens A. “Politik und wirtschaft in den internationalen beziehungen. Internationale kartelle, außenpolitik und weltwirtschaftliche beziehungen 1919-1939: einföhrung“. In Clemens A. Wurm, *International Kartelle und Außenpolitik*, edited by Clemens A. Wurm, Stuttgart: Franz Steiner Verlag, 1989.

Reports and Published Sources

United States Tariff Commission: *Mercury (quicksilver) report to the Congress on Investigation no. 332-32 (supplemental), under section 332 of the Tariff act of 1930, made pursuant to Senate Resolution 206, 87th Congress, adopted September 23, 1961*. Washington, 1962.

Primary Sources and Archives

AGA: Archivo General de la Administracion

- Records from the Spanish Embassy in Italy, folder: “Mercurio Europeo 1940-1950”.
- Records of the Spanish Embassy in the United States, folder: “mercury”.

AHMA: El Archivo Histórico de las Minas de Almadén (the historic archive of the Almadén mines), Real Hospital de Mineros de San Rafael, Almadén, Spain.

FNFF: Fundación Nacional Francisco Franco (private archive of Franco managed by the Franco Foundation)

SDDF: United States National Archives, Record Group 56, State Department Decimal File: US-Italian relations

AMAE: Archivo del Ministerio de Asuntos Exteriores (Archive of the Spanish Foreign Office): telegrams from Madrid to Rome

NAUK: National Archives of the United Kingdom

- Foreign Office, Southern Department, Relations with Spain.

ASMAE: Archivio del Ministero degli Affari Esteri (archives of the Italian Foreign Office)

- Political Affairs Section (Affari Politici), Relations between Spain and Italy.
- General Direction of Economic Affairs Section: Relations between Spain and Italy

AIS: Archivio Istituto Sturzo

- Giulio Andreotti Private Archive, Bundle 235/6.

CIA paper: United States National Archives, CIA papers (Crest database).

The CREST system is the publicly accessible repository of the subset of CIA records reviewed under the 25-year program in electronic format (manually reviewed and released records are accessioned directly into the National Archives in their original format).

¹ We would like to thank the participants at the History and Strategic Raw Materials Initiative conference at the University of Strathclyde, 2013, for constructive comments on an early version of this article (especially Joel Wolfe who served as commentator). We also received very helpful feedback when we presented this work in a seminar at the Department of Economic History II at Universidad Complutense, Madrid in 2016 and in a seminar at the Department of Historical Studies, NTNU, 2017. Finally, we would like to thank the editor and the anonymous referees of the journal for their valuable input.

² A. Martín-Artajo and J. A Suanzes to Spanish Embassy in Washington D. C., telegram, 13 July 1949; G. Baraibar to Artajo and Suanzes, telegram, August 11, 1949, both IDD (10)026.002, box 54/12270: dossier 'Mercurio' (1947-1951), AGA.

³ Wurm, "Politik und wirtschaft in den internationalen beziehungen", 1.

⁴ See Cañellas, "La política exterior española"; Branciforte, *Acción política y cultural*; Del Hierro, *Spanish-Italian Relations*; Muñoz Soro and Treglia, *Patria, Pan, Amore e Fantasia*.

⁵ 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" and Schröter's "Cartel's Revisited", and Fellman and Shanahan, *Regulating Competition*. For notable recent works on international cartels in raw materials, see especially Hillman, *The International Cartel*; Bertilorenzi, *The International Aluminium Cartel*, and Garavini, *The Rise & Fall of OPEC* (although Garavini argues convincingly that OPEC only functioned as a cartel between 1982-1985). Notable recent phd-theses include Dahlström, *Konkurrens, samarbete och koncentration*, and Kuorelahti, *Who wants a cartel?*

⁶ Fear, "Cartels", 268; Segreto and Wubs, "Resistance of the Defeated", 330. Fear's observation that most of the cartel literature focus on the pre-1945 period rather than the post-1945 still mainly holds.

⁷ 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* analyses international cartels in diamonds, gold, uranium and silver also for the postwar period.

⁸ Mackie-Mason and Pindyck, "Cartel theory and cartel experience".

⁹ See Levenstein and Suslow, "What determines cartel success", "Breaking up is hard to do"; Fear, "Cartels", and "Cartels and competition".

¹⁰ López-Morell and Segreto, "International mercury cartel", see also Segreto, *Monte Amiata*.

¹¹ López-Morell and Segreto, "International mercury cartel", 280.

¹² Segreto, *Monte Amiata*.

¹³ Fear, "Cartels", 271.

¹⁴ Roush, *Strategic mineral supplies*, 276-279; Pennington, *Mercury*, 61.

¹⁵ Ingulstad, *Winning the hearths and mines*, Appendix A, 280-282.

¹⁶ Segreto, *Monte Amiata*.

¹⁷ López-Morell and Segreto, “International mercury cartel”.

¹⁸ Del Hierro, *Spanish-Italian Relations*, 47-52.

¹⁹ Pennington, *Mercury*, 9 and 49.

²⁰ Minutes of meetings of the board of directors of Mercurio Europeo, 28 July - 3 Aug. 1945 in Madrid, Libro de actas del comité directivo del Mercurio Europeo, R-15/518 AHMA.

²¹ Viñas, *Garras del águila*, 38-39.

²² Liedtke, “Spain and the USA”, 233-234.

²³ Report from Navasqüés, then retransmitted by Lequerica to Franco, 16 February 1945, Doc. N° 232, FNFF.

²⁴ “Kingdom of Italy” is used here instead of the general term “Italy” as a way to establish a clear distinction with the Italian Social Republic (ISR). The two states co-existed 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 Italy⁴¹

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 in Del Hierro, *Spanish-Italian Relations*, 22-38.

²⁵ Report from Navasqüés, then retransmitted by Lequerica to Franco, 16 February 1945, Doc. N° 232, FNFF.

²⁶ The Italian appointment would, in fact, be immediately accepted by the Spanish authorities. Telegram from Jordana to Barcenas, 30 July 1944, bundle 1.273, folder 1, AMAE. Del Hierro, «Una figura chiave nei rapporti italo-spagnoli.»

²⁷ For Italian foreign relations in the years immediately after the end of World War II, see 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, Eds., *Nazione, interdipendenza, integrazione*.

²⁸ Del Hierro, *Spanish-Italian Relations*, 115-116.

²⁹ Minutes of meetings of the board of directors of Mercurio Europeo, 21 July to 2 Aug. 1946 in Zürich, Libro de actas del comité directivo del Mercurio Europeo, R-15/519, AHMA. 1946a).

³⁰ Martín-Artajo to the Spanish ambassador at Rome, José Antonio de Sangróniz, telegram 15 June 1946, box 54/16718, Mercury, AGA.

³¹ For the importance of the mining lobby, see for instance Limbaugh, *Tungsten*, 209.

³² Sangróniz to Martín-Artajo, letter 26 Sept. 1945, box 54/16718 Mercury, AGA.

³³ Sangróniz to Martín-Artajo, letter 17 Sept. 1945, AGA, box, 54/16718 Mercury, AGA. 42

³⁴ Excerpt of memorandum sent by the Mercury Cartel to the US Government, attached to: Sangroniz to Martín Artajo, letter 28 June, 1946, box 54/16718 Mercury, AGA.

³⁵ Martín-Artajo to Sangróniz, telegram 15 June 1946, box 54/16718, Mercury, AGA.

³⁶ Minutes of meeting of the board of directors of Mercurio Europeo, 7-8 Dec. 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.

³⁷ Pennington, *Mercury*, 67.

³⁸ Memorandum from Wilson to Dixon, 22 Aug. 1949, United States National Archives, Record Group 56, State Department Decimal File, 7 11 – 65, Box 3382 A, SDDF.

³⁹ Two examples of these articles can be found in *The Wall Street Journal*, «Spanish-Italian Cartel Driving US Mercury Mines Out of Business’, 12 May 1947, and in *Associated Press*, with an interview of S. H. Willinston, Vice President of the Cordero Mining Company of Nevada, 20 May 1948, S.H. Willinston by Associated Press. The interview is reproduced in a letter from Germán Baraibar to Artajo, 20 May 1948, box 54/16718 Mercury, AGA.

⁴⁰ Sangróniz to Artajo on 27 Oct. 1947, box 54/16718 Mercury, AGA.

⁴¹ Minutes of meetings of the board of directors of Mercurio Europeo, 3 May 1947 in Rome and 8 Aug. 1947, in Geneva, Libro de actas del comité directivo del Mercurio Europeo, R-15/519, AHMA.

⁴² Minutes of meetings of the board of directors of Mercurio Europeo, 8 Aug. 1947, in Geneva, Libro de actas del comité directivo del Mercurio Europeo, R-15/519, AHMA.

⁴³ Eckes, *Global Struggle*, 138-141.

⁴⁴ United States Tariff Commission, *Mercury*, 21.

⁴⁵ Minutes of meetings of the board of directors of Mercurio Europeo, 3 May 1947 in Rome, Libro de actas del comité directivo del Mercurio Europeo, R-15/519, AHMA.

⁴⁶ Segreto, *Monte Amiata*, 163.

⁴⁷ Ingulstad, *Winning the hearths and mines*.

⁴⁸ Minutes of meeting of the board of directors of Mercurio Europeo, 2-5 April 1949 in Zürich, Libro de actas del comité directivo del Mercurio Europeo, R-15/520, AHMA.

⁴⁹ Segreto, *Monte Amiata*, 162.

⁵⁰ For Italian foreign relations at the end of the 1940's, see Varsori, *La Cenerentola d'Europa?*; Mauro Campus, *L'Italia, gli Stati Uniti e il piano Marshall*; Ballini and Varsori (eds.), *L'Italia e l'Europa*; De Leonardis, *Guerra fredda e interessi nazionali*.

⁵¹ Minutes of meeting of board of directors of Mercurio Europeo, 10 June 1949, Zürich, Libro de actas del comité directivo del Mercurio Europeo, R-15/520, AHMA.

⁵² Memorandum from Wilson to Dixon, 22 Aug. 1949, United States National Archives, Record Group 56, State Department Decimal File, 7 11 – 65, Box 3382 A, SDDF.

⁵³ For more on the impact of the cartel in US mercury mines see interview of S.H. Willinston by Associated Press, 20 May 1948. The interview is reproduced in a letter from Germán Baraibar to Artajo, 20 May 1948, box 54/16718 Mercury, AGA. The interview is reproduced in a letter from Baraibar to Artajo, AGA.

⁵⁴ Minutes of meeting of board of directors of Mercurio Europeo, 25 July 1949, Zürich, Libro de actas del comité directivo del Mercurio Europeo, R-15/521, AHMA.

⁵⁵ Minutes of meeting of sales committee of Almadén, 9 December 1949, Libro de actas del comité de venta, AHMA.

⁵⁶ Minutes of meeting of sales committee, Almadén, 23 December, 1949, sales committee Almadén, AHMA.

⁵⁷ For the Philipp Brothers sales, see minutes of meeting of sales committee, Almadén, 13 January, 1950, for Imperial Chemical Industries, see minutes of meeting 9 December 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, 4 February 1950, all AHMA.

⁵⁸ Minutes of meeting of sales committee, Almadén, 27 January and 3 March, 1950, AHMA.

⁵⁹ Del Hierro, *Spanish-Italian Relations*, 135-144.

⁶⁰ Montagna to Andreotti, letter 26 Dec. 1949, Accordi Italo-Spagnoli. Bundle 235/6, AIS.

⁶¹ Ibañez Martin to Artajo, telegram on behalf of the Spanish Minister of the Treasury, Joaquín Benjumea 21 December 1949, bundle 2.045, folder 14, AMAE.

⁶² Sforza to Capomazza, telegram 15 Feb. 1950, Affari Politici, Spain, 1950, folder 22. This telegram contained an official message from Sforza to Artajo which would be transmitted that very day, ASMAE.

⁶³ Del Hierro, *Spanish-Italian Relations*, 167, 173, and 177.

⁶⁴ Artajo to Sforza, telegram 4 March 1950, bundle 2.045, folder 14, AMAE.

⁶⁵ Mackie-Mason and Pindyck, "Cartel theory and cartel experience", 193.

⁶⁶ Del Hierro, *Spanish-Italian Relations*, 201-220.

⁶⁷ Taliani to De Gasperi, report on the status of Spanish-Italian Relations, 27 November 1951, Affari Politici, Spain, 1952, folder 72, ASMAE. The report also discussed the status of US-Spanish relations, arguing that the commercial negotiations would benefit from the rapprochement between Madrid and Washington.

⁶⁸ Viñas, *En las garras del águila*. Bowen, *Truman, Franco's Spain, and the Cold War*.

⁶⁹ Taliani to De Gasperi, letter 26 March 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

⁷⁰ Taliani to De Gasperi, letter 26 March 1952, Affari Politici, Spain, 1952, folder 159, ASMAE

⁷¹ Report from the General Direction of Economic Affairs to Attilio Piccini, 12 May 1954, Affari Politici, Spain, 1954, folder 22, ASMAE and Sangróniz to Artajo, telegram 23 May 1954, bundle 3.154, folders 11-12, AMAE.

⁷² Report to the Ministry of Foreign Affairs from the General Direction of Economic Affairs, 12 May 1954, Affari Politici, Spain, 1954, folder 313, ASMAE.

⁷³ Minutes of meeting of Almadén's sales committee, nr. 43, 1 July 1954, libro de actas, tomo II, R-15/531, AHMA.

⁷⁴ Minutes of meeting of Almadén's sales committee, 30 Aug. 1954, libro de actas, tomo II, R-15/531, AHMA.

⁷⁵ Rogers to Wilson, letter 2 September 1954, folder FO 371 113076, NAUK.

⁷⁶ Report from the General Direction of Economic Affairs to Attilio Piccini, 12 May 1954, Affari Politici, Spain, 1954, folder 22, ASMAE.

⁷⁷ 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*, "El Concordato de 1953"; Delgado, *Imperio de papel*; Pardo, "La política exterior del Franquismo".

⁷⁸ Guirao, *Spain and the Reconstruction*.

⁷⁹ Letter from Taliani to Giuseppe Pella, 21 December 1954, Affari Politici, 1954, folder 246, ASMAE.

⁸⁰ Sangróniz to Artajo, telegram 23 July 1954, bundle 3.154, folders 11-12, AMAE;
Angelino Corrias to Attilio Piccioni, 8 June 1954, Affari Politici, Spain, 1954, folder 22, ASMAE.

⁸¹ 1954b: Minutes of meeting of Almadén's sales committee, 30 Aug. 1954, libro de actas, tomo II, R-15/531, AHMA.

⁸² Minutes of meeting of board of directors of Mercurio Europeo, 4 November 1954, Paris, Libro de actas del Comité Exterior de Ventas de las Minas de Almadén, tomo 2, R-15/531, AHMA.

⁸³ Minutes of meeting of Almadén's sales committee, 30 March 1955, libro de actas, tomo II, R-15/531, AHMA.

⁸⁴ Minutes of board meetings of Almadén from 1955-1977, AHMA).

⁸⁵ Fear, "Cartels", 277.

⁸⁶ Fear, "Cartels", 277.

⁸⁷ Stigler, "A Theory of Oligopoly".

⁸⁸ Kuorelahti, *Who wants a cartel?*