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**The history of a transformation: French capital in Spain after de World War II.  
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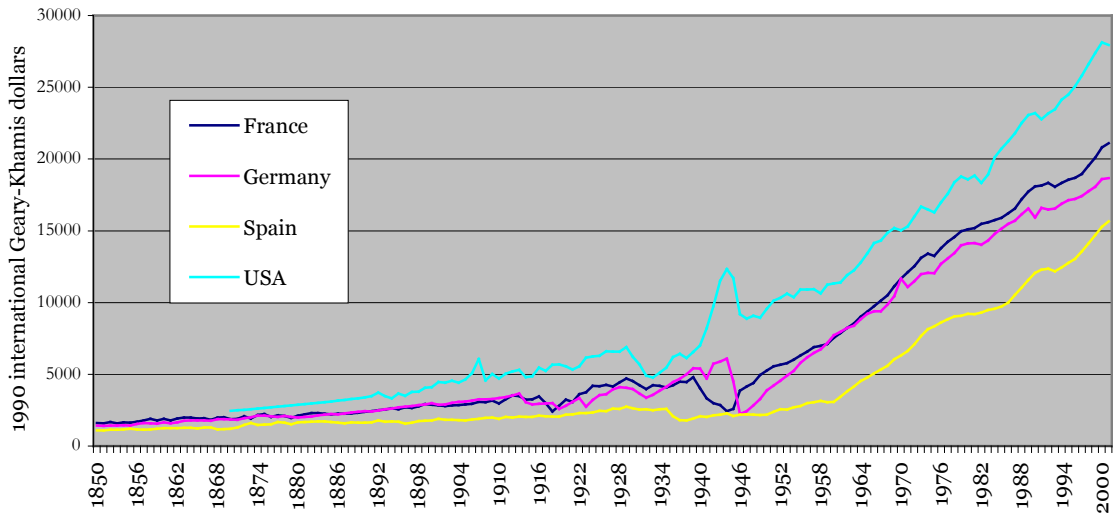
This paper deals with the political, personal and cultural dimension of international business. It seeks to understand how foreign investment works over time. We specially focus on French direct investment in the modern Spain since 1945, but we don't forget the historical background of the XIXth century. We could describe Spain as a battlefield and this metaphor will accompany us all along our work: the Civil War, the Francoist autarchy, the multiple Stabilization and Development plans, the end of Franco's dictatorship and, finally, the Spain's integration into the European Union after 1986 are the turning points of the paper.

This work examines the patterns followed by the French capital to survive in the Spanish market. We will stress on the political way which was the best method to get direct line with Spanish authorities, above all with the Instituto Nacional de Industria (I.N.I.). Those strategies had successes and failures in the race to reach the second position behind the U.S.A in the sixties and the seventies. In spite of this American domination, we cannot forget the industrial adventures like Renault, Citroën or Pêchiney among others or the new contributions of engineering and consultancy firms, with a great French presence. Finally, in the late seventies and the earlier eighties, French rushed new capital into virgin fields such as toll-paying motorways, retailing (hypermarkets) and real estate. Spain's mass tourism model provides the backdrop for our story, one in which many of the original individuals and institutions still play relevant roles.

In conclusion, during the long period of time under analysis, Spain constituted one of the many scenarios of the technical and commercial fight held by the industrial world leaders, above all after 1959. It is therefore an excellent research ground to examine 1) the mechanisms of transnational business and 2) the interaction between foreign capital, foreign governments and local administration in the long run.

FIGURE 1:

Evolution of French, German, American, and Spanish pc GDP (1850-2001)



Sources: Albert Carreras and Xavier Tafunell, eds., *Estadísticas históricas de España: Siglos XIX-XX*, 2d rev. ed. (Bilbao, 2005); Angus Maddison, *The World Economy: Historical Statistics* (Paris, 2003).

**I- The antecedents: the making and the dismantling of a FDI model: French Capital in Spain, c.1800-1913.**

**I-1. The creation of a model.**

The most splendid chapter of French FDI was written about the middle of the XIXth century. It was, without any doubt, a brilliant example of the first globalization wave<sup>1</sup>. Scholars have quite satisfactorily explained why slow-growing France became home to so many international banks and firms, making the country the second largest capital exporter in the nineteenth century<sup>2</sup>. Opposed to the commercial and technical nature of British and German international investment, French investment brought its marked political nature<sup>3</sup>. The Spanish experience of the pioneering business people who ventured beyond the Pyrenees perfectly fits the French model of foreign investment. Spain was a “backward” country whose modernizers had admired France. Much of the Spanish bureaucracy and higher education system (trade and engineering schools), for instance, was French-inspired. Ideology, however, was also important in the decades following the French Revolution. Note that the first generations of French international capitalists were

<sup>1</sup> Kevin H. O'Rourke and Jeffrey G. Williamson, *Globalization and History: The Evolution of a Nineteenth-Century Atlantic Economy* (Cambridge, Mass., 2000).

<sup>2</sup> Rondo Cameron, *Francia y el desarrollo económico de Europa, 1800-1914* (Madrid, 1971); Michael Smith, “Putting France in the Chandlerian Framework: France’s 100 Largest Industrial Firms in 1913,” *Business History Review* 72 (Spring 1998): 46-85.

<sup>3</sup> Albert Broder, “Les investissements français en Espagne au XIX siècle: essai de quantification,” *Revue d'Histoire économique et sociale* 54, no. 1 (1976): 29-63; O'Rourke and Williamson, *Globalization and History*.

profoundly influenced by Saint-Simonism<sup>4</sup>. Two examples illustrate perfectly those trends. The first one is Alfonso Cabarrús, close collaborator of Charles the IIIth of Spain and the most active promoter of the San Carlos' Bank, the first national and official bank in the country<sup>5</sup>. He was the tip of the iceberg of a network called by Michel Zylberberg "*the sweet domination*"<sup>6</sup>. Strengthened by a solid financial basis and pyramid family structure, French capitalist were able to control the Spanish economy in the late XVIII century as the early success of Cabarrús shows<sup>7</sup>. At the same time, some French families went on their own into the manufacture of chemicals, gas, beer, glass, and metal (Cros, Lebon, Mahou, Delclaux, and Rivière) and successfully ventured out on.

The other main characters are the Peireire brothers, the most conspicuous actors in French investment in nineteenth-century Spain. They believed in the new society imagined by the disciples of Henry de Saint-Simon<sup>8</sup>. One of them, Michel Chevalier, taught them about the Mediterranean system, an efficient railroad network that was to link together Africa, Europe, and Asia. Spain, a natural bridge between Europe and Africa, actually became an important piece within this idealistic project. The Sainsimonist idea would accompany French investment all along our history.

Thus, the take-off conditions were excellent. From a classical theoretical perspective, French ownership advantages were matched by Spanish host virtues. Whereas French investors had capital and technology to offer, as well as an unquestionable cultural force, Spain was a virgin market with weak industrial impulses that stood just across the border. We cannot either forget the vision that French entrepreneurs had of the country. "Spain," Emile Péreire wrote, "is like the new California... the country needs only an efficient railway network and capable entrepreneurs."<sup>9</sup> The early history of French direct investment in this European "California" began with the prospective research trips, market examinations, and political contacts promoted by large investors such as Péreire<sup>10</sup>.

Nevertheless, in spite of any altruistic feeling, French investors came to Spain for its business promises. They took advantages of a rich country in primary goods with a lack of political power and with no legal structures. There is abundant evidence of the political nature of early French investment in Spain, particularly the intensity and effectiveness of

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<sup>4</sup> Pierre Ansart, *Saint-Simon* (Paris, 1969).

<sup>5</sup> Pedro Tedde de Lorca, *El Banco de San Carlos, 1782-1829* (Madrid, 1988).

<sup>6</sup> Michel Zylberberg, *Une si douce domination: les milieux d'affaires français et l'Espagne vers 1780-1808*. (Paris, 1993).

<sup>7</sup> Rondo Cameron, *Francia y el desarrollo económico de Europa, 1800-1914*. (Madrid, 1971).

<sup>8</sup> Alexander Gerschenkron, *El atraso económico en su perspectiva histórica* (Barcelona, 1968).

<sup>9</sup> Broder, "Les investissements français en Espagne au XIX siècle," 63.

<sup>10</sup> M. F. Le Play, *Observations sur l'histoire naturelle et sur la richesse minérale de l'Espagne* (Paris, 1834).

French lobbies<sup>11</sup>. Because of the chronic weakness of the Spanish government and the better control of information by French bankers, the latter were always ahead. Who were those bankers? Three types of banks coexisted in this period: the *haute banque* (Fould, Heine, Baring), the new investment banks (Péreire, Prost Guilhou) and the commercial banks headed by the Crédit Lyonnais (CL) and the Société Générale (SG)<sup>12</sup>. We complete the picture with the Rothschild family and the late-comer Paribas. The first ones controlled Almaden's legendary state-owned mercury mines in southern Spain and of the tobacco monopoly as the tip of the iceberg of an enormous business and multinational net work<sup>13</sup>. The second one was created to compete with the Rothschild all over Europe<sup>14</sup>. As Jean Bouvier shows in his CL history, the second half of the century in Spain was a good proof of it<sup>15</sup>. Yet French FDI really gathered momentum in 1855, with the passage of a set of laws to regulate foreign investment and to establish the rules of the railway business (the most important being the Railways, Banking and Mining Laws of 1855-1856). Although there are few studies of French lobbyism, it is no coincidence, according to several authors, that French investment boomed just after 1855<sup>16</sup>. With the groundwork done, it did not take long for the banks to obtain the first contracts to exploit mines and build the first railways. Crédito Mobiliario (CM) and the Compañía de Ferrocarriles del Norte de España (Norte), on the one side, were both under Péreire's control. Rothschild's Spanish subsidiary and the Madrid-Zaragoza-Alicante (MZA) railway company, along with the already mentioned Prost-Guilhou and Paribas, were the shining stars during this dynamic period of French direct investment in Spain. In tune with Saint-Simon's thinking, banks played a fundamental role in this process. Most of the capital they were able to drain went to railways, mining, and utilities. With demand weaker than expected, however, profits were, overall, disappointing. Nevertheless, both industrial activity and foreign investment soared. Their joint action resulted in the pre-eminence of French capital in the take-off of the failed Spanish industrial revolution (see Figure 1). From 1850 through 1913, France accounted for most of the FDI in Spain (see Table 1). Trade statistics show that from 1855 through 1913, France remained Spain's main trade partner (see Figures 2a and 2b). The

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<sup>11</sup> Francisco Comín, *Hacienda y Economía en la España Contemporánea (1800-1936)* (Madrid, 1988).

<sup>12</sup> Teresa Costa Campí, *Financiación Exterior del Capitalismo Español en el siglo XIX* (Barcelona, 1983).

<sup>13</sup> Francisco Comín and Pablo Martín Aceña, *Tabacalera y el estanco de tabaco en España, 1636-1998* (Alicante, 1991).

<sup>14</sup> Eric Bussière, *Paribas et le Monde* (Antwerp, 1992).

<sup>15</sup> Jean Bouvier, *Le Crédit Lyonnais de 1803 à 1892: les années de formation d'une banque de dépôts* (Paris, 1961).

<sup>16</sup> Albert Broder, *Le rôle des intérêts étrangers dans la croissance économique de l'Espagne, 1815-1913: Etat-entreprise et histoire* (Ph.D. diss., Lille, 1981); Gabriel Tortella, *Los orígenes del capitalismo en España: banca, industria y ferrocarriles en el siglo XIX* (Madrid, 1973); Jordi Nadal, *El fracaso de la revolución industrial en España, 1814-1913* (Esplugues de Llobregat, 1975); Alfonso de Otañu, *Los Rothschild y sus socios españoles, 1820-1850* (Madrid, 1987).

pattern was simple: Spanish wine and other primary goods were exchanged for French manufactures, specially linked to the railway industry<sup>17</sup>.

**TABLE 1**

**Main Direct Investors in Spain by countries and sectors, 1851-1913 (millions of 1913 pesetas)**

<i>Sector</i>	France	G.B.	Belgium	Germany	Switz.	U.S.A.	Others	Total
Transports (includes railways)	452	78	62	3	1	-	-	<b>597</b>
Banks and Finances	395	12	2	6	-	-	118	<b>533</b>
Mining	78	158	30	23	1	-	4	<b>294</b>
Public Services	35	3	-	44	1	50	25	<b>159</b>
Chemical Industries	29	1	7	6	1	-	-	<b>44</b>
OO.PP	24	3	-	0	-	-	-	<b>28</b>
Food and Tobacco	22	1	-	2	1	-	2	<b>26</b>
Shipyards	-	11	-	-	-	-	-	<b>11</b>
Paper and leather	1	0	-	0	-	-	9	<b>10</b>
Textile	0	7	2	1	-	-	-	<b>10</b>
Communication, telephone and telegraphs	0	7	1	-	-	-	2	<b>9</b>
Iron and Steel Industry	7	-	-	0	-	-	-	<b>7</b>
Glass	4	-	1	-	-	-	-	<b>5</b>
Trade	0	5	-	-	-	0	0	<b>5</b>
Machinery	-	3	-	1	0	0	-	<b>4</b>
Petroleum	3	0	-	-	-	-	-	<b>3</b>
Automobiles	1	-	-	0	0	-	-	<b>1</b>
Real State	0	0	-	0	0	-	-	<b>0</b>
Others	4	0	5	0	0	-	1	<b>10</b>
<b>Total</b>	<b>1.057</b>	<b>288</b>	<b>109</b>	<b>86</b>	<b>5</b>	<b>51</b>	<b>160</b>	<b>1.756</b>

Source: Broder, "Les investissements français en Espagne au XIX siècle." Teresa Tortella, *Una Guía de inversiones extranjeras, 1780-1914*, (Madrid, 2000).

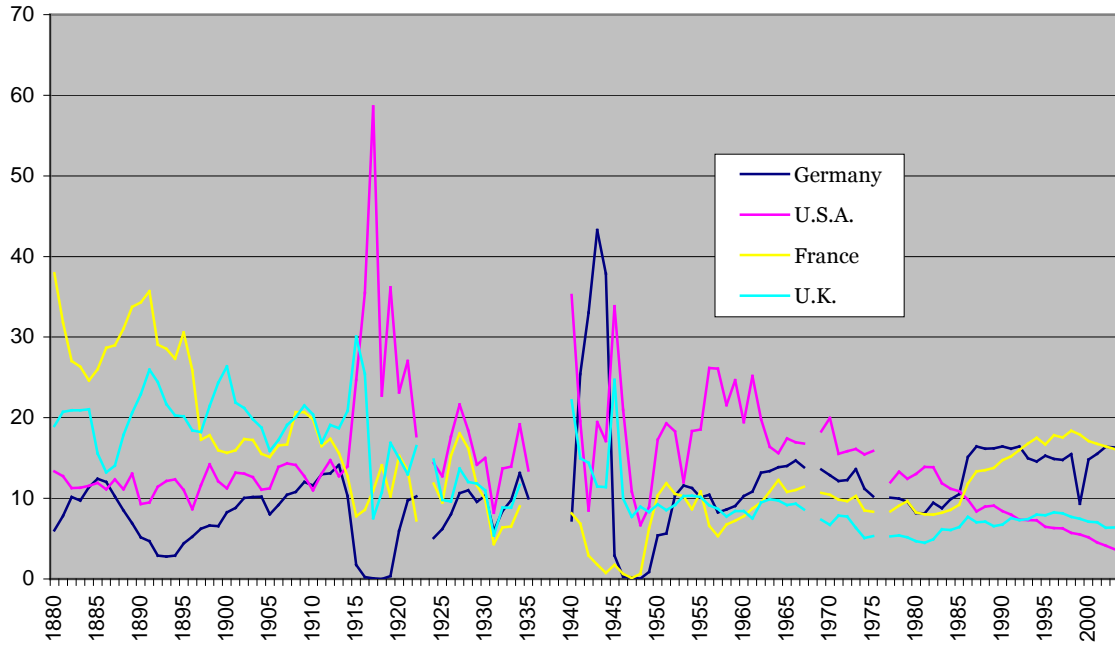
This investment outline was supported by helpful Spaniards, in the Public Administration and in the new companies. We could see noblemen educated *à la française* in the boards of those French firms but with an absolute French control. This control relapsed on a powerful director-general who took full responsibilities and who had a direct-line with the owners. Eduardo Maristany and Jules Aron are good examples of the implementation of this managerial tradition. They developed their managerial skills in Rothschild's firms (MZA and Peñarroya). The Péreire hired another engineer, Juan Barat, to manage the railway company Norte, whereas Leon Cocagne (the longstanding president of the French Chamber of Commerce in Madrid and, thus, one of the main characters of French-Spanish nineteenth-century business) was the key person at the Hipotecario and Español de Crédito banks. There are further examples in the literature<sup>18</sup>. It is interesting to

<sup>17</sup> Estadísticas del Comercio Exterior de España [hereafter, ECEE] (Madrid, 1856-2005).

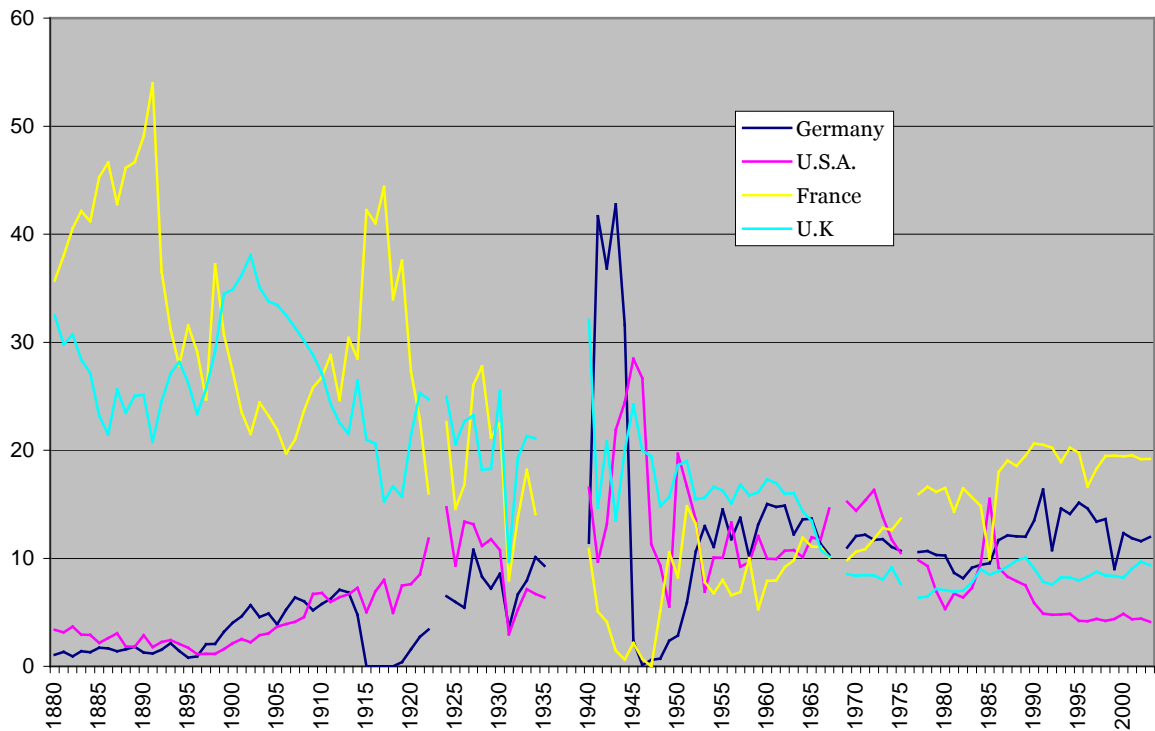
<sup>18</sup> P. P. Ortúñez, "Propiedad y control de las compañías ferroviarias españolas: el caso de MZA, 1913-1941," in *Railway Management and Its Organisational Structure: Its Impact on and Diffusion into the General Economy*, ed. Clara

check how the Spanish Management and its evolution were deeply influenced by this powerful director general.

**FIGURE 2a**  
**Spain's Main Trade Partners, 1880-2003 (Imports)**



**FIGURE 2b**  
**Spain's Main Trade Partners, 1880-2003 (Exports)**



Source: ECEE, 1880-2003.

Eugenia Núñez (Sevilla, 1998); Miguel-Ángel López Morell, *La Casa Rotschild en España* (Madrid, 2005).

## I-2. The apparent dismantling of a challenged model, 1913-1939.

The second industrial revolution meant the beginning of the end for French investment in Spain. It was the shift between the former (France and Great Britain) and the new (United States and Germany) industrial leaders. This leading transfer happened all over the world. It seemed that French capabilities and skills didn't understand the new role of the banks (above all, after the bankrupt of the Péreire bank in France) and the new organizational structure of the firms, very close to the *Chandlerian framework*<sup>19</sup>.

According to our research in FCCM archives, this decline was also visible and incomprehensible in Spain. Furthermore, the new attitude of the former helpful associates didn't help either. Based on a central bank model, French framework had a difficult time when Crédit Mobilier and Paribas gave up progressively their business in the country<sup>20</sup>. In spite of the foreign competition, Spain was not the dreamed California... The Spanish market was narrow and many of the expectations created around the potential development of the Spanish economy proved unrealistic. The result was a slow though definite withdrawal of French capital from most of the banks, railways, mining, and utilities companies that the French had controlled since the mid-nineteenth century. Nevertheless, we have to clarify this argument. In fact, France had not lost all its economic influence neither in the world nor in Spain. According to the last works of Michael S. Smith, France did not endure a deep crisis of its economic model<sup>21</sup>. Far away from the long-standing view of crippled economy, Smith puts French economy in the front of the second Industrial Revolution. Spain is a good example to illustrate this point of view, this kind of incipient restructuring of French business<sup>22</sup>. In fact, several firms remained under the control of their French founders: Peñarroya (mining) and MZA (railways) (both owned by the Rothschild family), Saint-Gobain (glass), and some insurance companies (L'Abeille, la Paternelle, le Phénix, among others)<sup>23</sup>. These firms were the heirs of an investment model that had emerged in the nineteenth century; they coexisted with new ventures led by firms of the second industrial revolution that were apparently independent from investment banks<sup>24</sup>. Indeed, the interwar period provides numerous examples of French attempts to

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<sup>19</sup> Michael Smith, "Putting France in the Chandlerian Framework..."

<sup>20</sup> José Luis García Ruiz, "La etapa francesa de un banco español: Banesto, 1902- 1927," in *Actas del VII Congreso de Historia Económica* (Santiago de Compostela, 2005); Eric Bussière, *Paribas: l'Europe et le monde: 1872-1992*.

<sup>21</sup> Michael S. Smith, *The Emergence of Modern Business in France, 1800-1930* (Cambridge, Massachusetts, and London, 2006).

<sup>22</sup> Rafael Castro, "Historia de una reconversión silenciosa: el capital francés hasta la Guerra Civil, c.1800-1936", *Revista de Historia Industrial* 33 (2007).

<sup>23</sup> Miguel-Ángel López Morell, *La Casa Rotschild en España*.

<sup>24</sup> Michael S. Smith, *The Emergence of Modern Business in France, 1800-1930*.

lead the Spanish second industrial revolution, in open competition with American and German firms. Here we find failures as well as successes (see table 2).

**Table 2: French Firms by sectors, 1935**

<u>Name of Spanish Firm (name of French owner)</u>	<u>Sector</u>
Sociedad del Neumático Michelin (Michelin)	Automobile
Sociedad Anónima de Automóviles Renault Frères (Renault France)	Automobile
Sociedad Española de Automóviles Citroën (Ets. André Citroën)	Automobile
Sociedad Española de Automóviles Peugeot (Ets. Peugeot)	Automobile
Saint-Gobain (idem)	Cristal, química
Sociedad Energía e Industrias Aragonesas, EIA (Péchiney)	Electricity
Fuerzas Hidráulicas del Alto Pirineo (Cie Générale d'Électricité, CGE)	Electricity
S.A. Fibras Artificiales, SAFA (Rhône Poulenc)	Chemistry
Frères Lumières (idem)	Chemistry
Sociedad Ibérica de Construcciones Eléctricas, SICE (CGE)	Electricity
Omnium Ibérico-Industrial (Crédit Foncier d'Algérie et de Tunisie)	Metallurgy
Société Française des Pyrites de Huelva (several shareholders)	Mining
Sociedad Minero-Metalúrgica de Peñarroya (The Rothchild Family)	Mining
Fodina (several shareholders)	Chemistry
Sociedad de Minas de Potasa de Suria (Société des Postasses d'Alsace)	Chemistry
Potasas Ibéricas (Péchiney, Sainte Thérèse)	Chemistry
Sociedad Española del Oxígeno, SEO (Air Liquide)	Chemistry
Sociedad española de Fibras Artificiales, SAFA (Rhône Poulenc)	Chemistry
Abeille, L'(idem)	Insurance
Aigle, L'(idem)	Insurance
Cie. D' Assurances Générales (idem)	Insurance
Comptoir Maritime (idem)	Insurance
Confiance, La (idem)	Insurance
Du Phénix (idem)	Insurance
Fédérale, La (idem)	Insurance
Foncière, La (idem)	Insurance
Mutuelle de France et des colonies (idem)	Insurance
Mutuelle Générale Française (idem)	Insurance
Nationale, La (idem)	Insurance
Nord, Le (idem)	Insurance
Paternelle, La (idem)	Insurance
Patrimoine, Le (idem)	Insurance
Préservatrice, La (idem)	Insurance
Providence, La (idem)	Insurance
Soleil, Le (idem)	Insurance
Union, L' (idem)	Insurance
Urbaine, L' (idem)	Insurance
Sociedad Española de Construcciones Electro-Mecánicas (SATAM)	Machinery

Sources: Own researches, Rafael Castro, "Historia de una reconversión silenciosa..."



However, French firms or partners rarely played a central role within the international cartels that ruled most of the scientific-based industries of the time, but they were present and they didn't surrender. The Germans controlled the so-called French-German Potash Union. IG Farben imposed itself on Kuhlmann. Moreover, since 1931 SICE had been subordinate to Geathom, the result of an international agreement among AEG, Thomson-Houston, and General Electric in which SICE played only a secondary role<sup>25</sup>. It seems, therefore, that, whereas those who had led the first Spanish industrial revolution were withdrawing, the pioneers of the second industrial revolution were struggling to consolidate.

French technological weakness was another source of worry for French direct investment in Spain. This is the negative side of what Geoffrey Jones calls the stickiness of knowledge<sup>26</sup>. Having dominated the Spanish market for eighty years, French firms seemed to have difficulty changing their visions and habits regarding their "California.". Moreover, the fact that the new investment wave was hardly to perceive could reinforce the withdrawal awareness<sup>27</sup>. Interestingly, in many of the firms where the French lost control, the Spanish owners maintained French business perspectives (particularly risk aversion) and management habits (a powerful director-general)<sup>28</sup>.

The difference between the loss of former investments and the profit of the new ones is not already calculated. This definitive result would allow us to call this period an episode of dismantling or a period of restructuring. Nevertheless, we cannot deny that, in the whole, the French influence decreased or, at least, started on new basis.

The outbreak of the Civil War and the WWII broke all this trends. This period is an enormous black hole in the economic history of the country. Some Spanish scholars tried to light it<sup>29</sup>. In our case, both conflicts didn't modify in excess the balance of forces between French capital and the others competitors. French firms tried to survive in a very difficult period: many sought alliances with the rebel faction. Our research shows that French capitalists made over thirty offerings in less than two years and those firms such as the Société des Potasses Ibériques helped finance the military putsch<sup>30</sup>. The literature

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<sup>25</sup> Fondo Banco urquijo [hereafter FBU], annual report SICE (1931).

<sup>26</sup> Geoffrey Jones, *Multinationals and Global Capitalism: From the Nineteenth to the Twenty-First Century* (Oxford, U.K., 2005).

<sup>27</sup> Rafael Castro, "Historia de una reconversión silenciosa..."

<sup>28</sup> Rafael Castro, *El agotamiento de un modelo de inversión internacional: el capital francés en la España de entreguerras* (M.A. thesis, Madrid, 2005).

<sup>29</sup> Elena Martínez Ruiz and Pablo Martín Aceña (cord.), *La economía de la Guerra Civil: perspectiva general y comparada* (Madrid, 2006).

<sup>30</sup> AGA, MAE, (10)96 54/11052.

provides other examples of collaboration, with Michelin also playing a leading role<sup>31</sup>. The birth of some institutions like the Paris-based French- Spanish Chamber of Commerce (FSCC), the Consortium Industriel et Commercial pour l'Étranger, led by the former French ambassador in Madrid Auguste de Perreti or an association promoted by the De Neuflyze bank are further examples of this response faced with the collective troubles<sup>32</sup>. Three years of intense combats and five years of apparent neutrality were useful to demonstrate the French ability to survive and to be still present with its firms and institutions in the first Francoist economy.

## II- A period of doubts: French Capital in Spain, 1945-1968.

**TABLE 3**  
**Main Sources and Geographical Distribution of FDI in Spain, 1966-1971 (millions of pesetas and %)**

Country	Spain		Catalonia		Madrid		Basque Country	
	Volume	%	Volume	%	Volume	%	Volume	%
France	3.323,93	11.74	486,67	5.40	428,30	6.30	64.25	3.42
Germany	3.389,32	11.97	2.101,62	23.30	672,70	9.88	98.60	5.22
U.K.	1.747,26	6.17	273,00	3.03	664,42	9.77	42.30	2.24
Switzerland	3.581,76	12.65	1.642,90	18.22	474,41	6.97	907.40	48.04
U.S.A.	7.899,13	27.90	1.113,02	12.34	3.040,06	44.69	672.78	35.61
Total	28.314,96	70.43	901.643,00	62.29	6.803,11	77.61	1,889.03	94.53

Source: Juan Muñoz, Santiago Roldán, and Ángel Serrano, *La internacionalización del capital en España* (Madrid, 1978), 134.

Our recent research at the *Centre des Archives Économiques et Financières* (CAEF) also reveals contacts between private French firms and the INI, since 1943<sup>33</sup>. It seems the Vichy government and the presence of the Maréchal Pétain in Spain as Ambassador of France provided good opportunities to make profits in a difficult period. The economic understanding that emerged between French capitalists and the Spanish authoritarian regime during the Spanish Civil and world wars allowed French firms to survive the extraordinarily adverse postwar period. General Franco and his military advisers implemented an irrational self-sufficiency plan that was to damage the Spanish economy until the mid 1950s. Spain's foreign trade was one of the most distorted sectors. Furthermore, politics excluded Spain from postwar international diplomacy and the benefits of the Marshall Plan. Democratic France became one of the strongest supporters

<sup>31</sup> Albert Broder, "Le commerce France-Espagne nationaliste pendant la guerre civile." *Españoles y Franceses en la primera mitad del siglo XX*. (Madrid, 1986).

<sup>32</sup> Nuria Puig and Rafael Castro, "Changing and Persisting Patterns of International Investment: French and German Capital in Nineteenth-and Twentieth-Century Spain", *Business and Economic History Review Online* (<http://www.thebhc.org/publications/BEHonline/2006/beh2006.html>), 2006).

<sup>33</sup> CAEF, B-65225. Contracts between Alsthom and the RENFE and Ateliers et Chantiers de Bretagne with several shipyard firms, 1943-1948.

of dictatorial Spain's ostracism. Officially, French business people could expect little from their government regarding their Spanish interests; unofficially, however, French firms managed to maintain close relationships with their Spanish partners. The most visible institutions in postwar French-Spanish economic relations were the Conseil National du Patronat Français (CNPF) and the Madrid Chamber of Commerce<sup>34</sup>. As during the period from 1936 to 1945, bilateral trade was a priority. However, when the United States put Spain under its patronage after the outbreak of the Korean War, French entrepreneurs raised their expectations. The friendly business atmosphere clearly helped French firms to maintain their Spanish positions as well as to identify and seize new business opportunities.

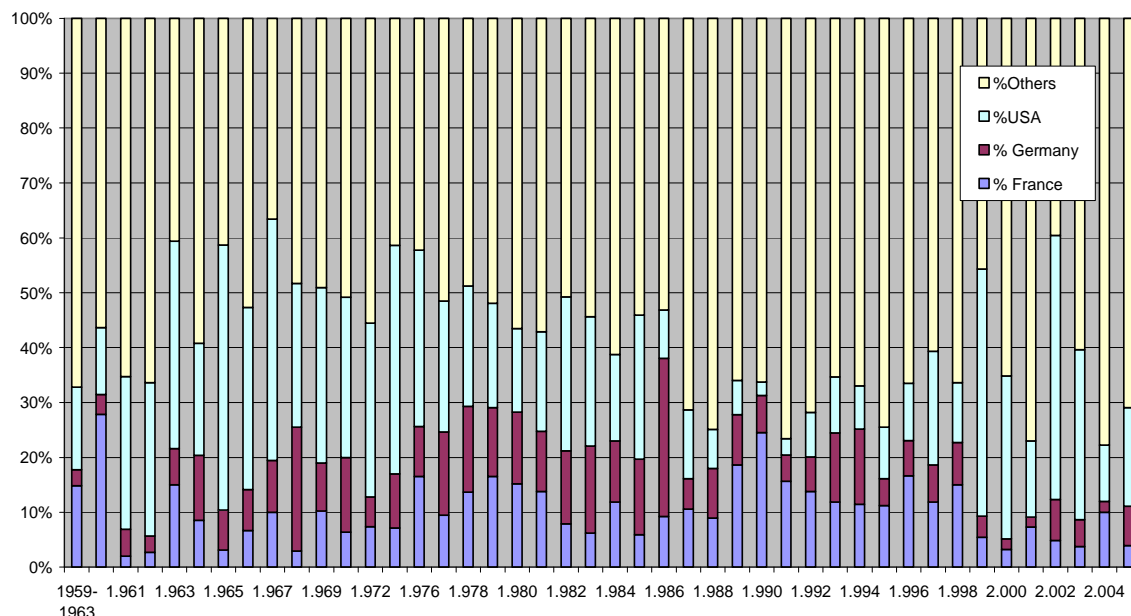
But competition was very fierce, above all, from the United States. In 1953, the United States and Spain signed a treaty making Spain a military ally and the object of economic and technical aid. Modest as it might seem, this assistance marked a turning point in Spain's economic history<sup>35</sup>. Spain's role in America's European military plans required a dramatic modernization of the Spanish army and infrastructure that indigenous firms could not undertake. The golden era of American business in Spain had begun, as shown in Figure 5 and Table 3.

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<sup>34</sup> Esther M. Sánchez Sánchez, "Redes empresariales francesas en la España franquista: el Conseil National du Patronat Français, 1946-1966," in *Actas del VII Congreso de Historia Económica* (Santiago de Compostela, 2005); Cámara de Comercio de Madrid [hereafter, CCM] Archives.

<sup>35</sup> Núria Puig and Adoración Alvaro, "La guerra fría y los empresarios españoles: La articulación de los intereses económicos de Estados Unidos en España, 1950- 1975," *Revista de Historia Económica* 22, no. 2 (2004): 387-424.

**FIGURE 5**  
**French, German, and American FDI Flows into Spain, 1959-2005**



Sources: Juan Muñoz, Santiago Roldán, and Ángel Serrano, *La internacionalización del capital en España* (Madrid, 1978); Celedonio Barquero, *Inversiones extranjeras: la realidad española* (Barcelona: Escuela de Administración de Empresas de Barcelona, 1971); R. Velasco, “Internacionalización de la industria española: estrategias y políticas,” *Economía Industrial* 287 (1992):41-51; J. M. Maté, “La inversión directa española en el exterior,” *Papeles de Economía Española* 66 (1966): 220-34; Subdirección general de Estudios en el Exterior “Una década de Inversión Española en el exterior, 1991-2001,” *Boletín ICE Económico: Información Comercial Española* 2734 (2002); and Ministerio de Industria, Turismo y Comercio, “Registro de Inversiones Extranjeras” (1993-2005, <http://datainvex.comercio.es/principalinvex.aspx>).

Those new rules changed the aim of the game. In fact, European firms quickly tried to exploit the new situation by courting Spanish administration. On their own, French firms were trying to take advantage of their accumulated experience in Spain. In spite of an absence of a specific policy for Spain, French entrepreneurship tried to obtain as much information as possible about the Spanish-American plans<sup>36</sup>. French authorities suggested their firms to avoid big state-owned companies<sup>37</sup>. Nevertheless, French focused on RENFE (the railway state-owned company) and the industrial state holding INI. A recent research on personal archives of the first President of the INI, Juan Antonio Suances, reveals a very good relationship between French firms and the holding, above all with the *Institut Français des Pétroles*<sup>38</sup>. This close “friendship” and the action of Bernard the Margerie, the director of the international department of Paribas, permitted, in 1953, a credit of 1,550

<sup>36</sup> Esther M. Sánchez Sánchez, “Redes empresariales francesas en la España franquista...”, The CNPF was a main character in this work.

<sup>37</sup> Esther M. Sánchez, *Rumbo al sur Rumbo al sur: Francia y la España del desarrollo 1958-1969* (Madrid, 2006); 185.

<sup>38</sup> Archivo Histórico del Instituto Nacional de Industria [hereafter AHINI], archivo Suances, personal correspondence.

million francs<sup>39</sup>. Expensive in comparative terms, French capital was competitive in the traditional French investment areas: railways and mining<sup>40</sup>. In this way, French engineering (and suppliers) got access to RENFE and INI, two important actors in Franco's Spain and the recipients of almost two thirds of the total credit.

Business diplomacy did undoubtedly play a role in opening this particular door to future French international investment. The individuals in charge of the French CNPF and the Madrid Chamber of Commerce understood each other. However, classical diplomacy also played a key role. The successful establishment of the French national champion Renault in Valladolid in the early 1950s is a good example which could fulfill this idea. Even though the comeback of the car manufacturer took place in the form of a joint venture (FASA-Renault), the French government's commitment and pressure were essential<sup>41</sup>. Renault became the symbol of France's ability to conquer the Spanish market.

Those eleven years had demonstrate that French business were still alive. Nevertheless, it seemed that French were only able to follow American projects with the unique exception of Renault. This American action, in addition to the resounding failure of the autarkic project, paved the way for the progressive liberalization of the Spanish economy; 1959 was a significant year for French-Spanish business. It was also the beginning of a doubt period for French FDI. As we will see in the following pages, France tried to reply to all the Spanish changes. However, the results didn't always fulfill the expectations. In Spain, the Stabilization Plan was set in motion, and a new generation of technocrats (many of them Francophiles and even French-educated) took charge of the economic ministries. At the same time, in May 1958, General Charles de Gaulle became president of the French Republic. Then, Spain became part of the global plan designed by the Gaulle to increase France's economic, political and cultural influence worldwide<sup>42</sup>. The French president was clear: "La France a besoin de commandes extérieures, il serait inadmissible qu'elle s'efface une fois de plus de l'Espagne au bénéfice de l'industrie allemande"<sup>43</sup>. France's economic *Grandeur* meant selling French goods and "know-how" at any cost, and competing with the United States anywhere, anyhow and anytime. This obsession could be his first mistake.

Between 1946 and 1966, France's economic *dirigisme* had created an impressive

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<sup>39</sup> Esther M. Sánchez, *Rumbo al sur...*

<sup>40</sup> Ibid.

<sup>41</sup> Esther M. Sánchez Sánchez, "La implantación industrial de Renault en España: los orígenes de Fasa-Renault, 1950-1970," *Revista de Historia Económica* 22, no. 1 (2004): 147-75.

<sup>42</sup> Esther M. Sánchez Sánchez, *Rumbo al sur...* Laureano López Rodo, *Memorias* (Barcelona 1971); Jones, *Multinationals and Global Capitalism*.

<sup>43</sup> AGA, MAE (10)95 54/11602.

number of public institutions like COFACE, (Compagnie Française pour l'Assurance du Commerce Extérieur), CNCE (Conseil National du Commerce Extérieur), SOFINTER (Société Française pour le Développement du Commerce International), and COFISE (Compagnie de Financement de Stock à L'Étranger) to support France's economic ambitions, above all, focused on trade. The more important institution was the COFACE, not only because of its global ambitions but also because of its founders. In fact, once again, the State-bank connection started to play a central role. Paribas, above all, and the nationalized banks (Crédit Lyonnais, Société Générale, among others) were the executive characters of those De Gaulle's plans. We have to quote specially the Margerie family, very close to the Paribas' world. Bernard, the Paribas International Department Manager, promoted all the mentioned commercial institutions. On the other hand, Roland, his father, and Emmanuel, his brother, were both French ambassadors in Spain in the sixties and the seventies<sup>44</sup>. They were, of course, involved in the increasing activity of 1959, corresponding with an increase in top-level visits. Industrial committees made up of bankers, insurers, and industrialists designed, proposed, and exerted pressure to execute business projects<sup>45</sup>. Former ambassadors, politicians, and business tycoons were involved in this new stage of French international investment<sup>46</sup>. However, they were also involved in many of the remarkable failures of French investment in the sixties. We will see it later.

Let start with the successes. Spain's economic policy could help us explain this new climate. After the stabilization plan in 1959, three development plans (in 1964, 1968 and 1972) followed. This idea was originally a French idea developed by Jean Monnet, Jacques Rueff among others. The idea of creating so-called development poles was particularly appealing to Spanish technocrats. The aim of these poles—locations with no industrial background—was to correct regional economic imbalances. In this way, Spain's Vigo, La Coruña, Valladolid, Sevilla, and Burgos matched France's Limousin or Midi-Pyrénées (Toulouse). In fact, a French consultancy firm, SERETES, was selected to develop the first plan in 1963<sup>47</sup>. In its first report, SERETES selected the regions and cities to apply it<sup>48</sup>. It is, therefore, no coincidence that National Champions, the most significant French firms, were established in those locations: Renault in Valladolid, Citroën in Vigo, Péchiney in La Coruña, and Saint-Gobain in Burgos. Their presence is also synonym of success. Furthermore, the most resounding triumph was registered in a frontier industry: nuclear

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<sup>44</sup> Association pour l'Histoire de Paribas [hereafter AHP], Dossier de personnalités du groupe.

<sup>45</sup> AGA, MAE, (10)97 54/11483.

<sup>46</sup> Sánchez, "Redes empresariales francesas en la España franquista"; CCM Archives.

<sup>47</sup> AGA, Presidencia, 51/4856.

<sup>48</sup> Ibid. For example, the cities of Lugo, Orense or Zamora were rejected.

energy. In 1972, the Spanish authorities decided to build the power station Vandellós I, south of Barcelona, with French technology, which was more expensive than American technology. The negotiations had started before in 1963 and according to Esther Sánchez, this was a highly political issue with the personal involvement of de Gaulle<sup>49</sup>. Once again, French *Grandeur* was at stake.

Despite the favorable business climate of the 1960s and 1970s, and the increasing involvement of French economic diplomacy, there were remarkable failures. The most important took place in the promising fields of television (the German PAL—phase-alternating line) format defeated the French alternative SECAM—*sequential couleur avec memoire*) and oil refineries (American Gulf prevailed over Compagnie Française des Pétroles and Union Général des Pétroles). We cannot forget the tremendous rejection of the 1963 credit<sup>50</sup>. We said before that banks had a relevant role in the more active policy of French firms in Spain. They were at the stake of the first credit in 1953 and they thought that, with a better situation in Spanish economy, the COFACE would assure this new credit and that Spanish firms would welcome French money easily. Nevertheless, the situation had changed. Indeed, the economic situation of Spain was better than in 1953 but French authorities didn't remember that others competitors were already present in the market. In order to complicate the situation, COFACE (ergo the banks) put Spain in the second level risk, as a second rate country. That meant that those credits, complicated per se, would be more expensive than expected for Spanish firms. Not many people requested them.

So, how can we define the situation of French investment in the middle of the sixties? Why do we announce a period of doubts? Let see the tables 3 and 4a, and the figure 2a, 2b and 5.

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<sup>49</sup> Sánchez, *Rumbo al sur*.

<sup>50</sup> Ibid.

TABLE 4a

## Top 19 French Firms, 1972, Relative Position in Spanish Market

Firm	Sector	"Spanish Birth"	General Ranking
F.A.S.A Renault	Automobiles	1954	11
S.A.F.E. Michelin	Tires	1931	28
Citröen Hispania	Automobiles	1957	45
General Eléctrica Española	Electrical Equipment	1901	47
Aluminio de Galicia	Iron and Steel	1962	68
S.A. Fibras Artificiales	Textiles	1922	92
Danone S.A.	Food processing	1929	108
Cristalería Española	Glass	1905	114
SMM Peñarroya	Mining	1881	180
Massanés y Grau	Food processing	1958	190
Resinas Poliésteres S.A.	Plastics	1962	192
S.E. Oxígeno	Chemicals	1909	195
Vidrieras de Castilla	Glass	1920	207
Compañía Andaluza de Minas	Mining	1904	315
Vidriera Vilella, S.A.	Glass	1924	374
Cía de Fab. de Contadores y Mat. Ind.	S.A. Electrical Equipment	n.f	411
Ugiquímica, S.A.	Chemicals	1950s	488
SICE	Electric Equipment	1924	496
Grafitos Eléctricos del Noroeste S.A.	Iron and Steel	1950s	552

Sources: Ministerio de Industria, *Las 700 mayores empresas industriales de España, Fomento de la producción*, (Barcelona, 1972).

In global terms, bilateral trade had grown since 1945, and France remained one of Spain's largest partners (see Figure 2). A relevant change, however, had taken place in the structure of this bilateral trade, reflecting Spain's increasing role as importer and exporter of French manufacturing. While French machinery amounted to 23 percent of imports, Spanish oranges amounted to 25 percent of exports. Figure 5 shows the evolution of French direct investment in Spain, with France in fourth place, far behind the United States, Germany, and Switzerland<sup>51</sup>. Table 4a shows that by 1972 French direct investment in Spain focused on traditional (first industrial revolution) as well as new (second industrial revolution) sectors. Traditional sectors included mining (Peñarroya and Compañía Andaluza de Minas), banking (Crédit Lyonnais, Société Générale), insurance (L'Abeille, Phénix), and glass (Saint-Gobain). New sectors included automobiles (Renault, Citröen, and Michelin), chemicals (Péchiney, L'Oréal), electrical equipment and electronics (Alsthom, Thomson-Houston, Cie. Générale d'Electricité, and Schneider), and food and beverages (Prisunic, Danone, Marie Brizard, Evian, and Ricard). The national champions Renault, Saint-Gobain, Citröen, and Péchiney stand out.

<sup>51</sup> In fact, most of Swiss investment was American or German.



However, all those data only reveal a follower country. France was an important partner, that's true, but a second rate partner. Only the six first firms were in the top-100, and only the four first in top-50. The first conclusion has to be that France was not turning out to be competitive in the big entrepreneurial projects, as the previous failures have shown. Perhaps, as the ambassador of France indicated in Spain at the end of 1969, France should have centered its efforts on the light industry<sup>52</sup>. It was in those sectors where French people could take advantages from their historical presence in the country due to the territorial closeness of both markets and, of course, because of the network wove with the local businessmen and the political class. It was in the short distance where the French firms would be able to beat his Anglo-Saxon competitors, even if other European, principally German and Italian firms, were still fearsome. Nevertheless, other facts could tinge this picture.

### **III- Technical assistance, tourism and Europe: the motorway for the transformation, c.1965- to present.**

The last paragraph can give a too pessimistic version of the situation. It is true that the global French action in the sixties didn't allow France leading the full Spanish development. Too powerful competitors existed. Nevertheless, other elements were inviting to the optimism. In fact, if we leave the quantitative argument and we analyze the qualitative level, we discover that the French investment in Spain was staying much behind the volumes of other countries but that, on the contrary, France was heading the rankings as for contracts of transfer of technology. French partners signed over 25% of the contracts of licensing and technical assistance (TA) between 1964 and 1978. This a very interesting idea, because technical assistance was an effective vehicle for opening the emerging Spanish market to French small and middle sized enterprises (MSE). It was also the way to control the evolution of the Spanish strategically sectors. Indeed, the important French state-owned engineering group SOFRE (which included Sofremines, Sofresid, Sofrelec, Sofregaz, Sofrerail, and Sofreatom) played a relevant role in the modernization plans of RENFE (Sofrerail) and of the electric sector (with Sofrelec and Sofratom for the nuclear energy). They also started with the restructuring of the mining sector (above all, HUNOSA with Sofremines) and they had some influences in the iron and steel public industry (with Sofresid and the agreement of P echiney). Consequently, French contracts focused on mining (more than 40%), on electric supplies (15%) and on textile and food

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<sup>52</sup> Esther M. S anchez, *Rumbo al sur...*, 334.

(12%)<sup>53</sup>. Note that these new business opportunities went hand in hand with enduring business institutions, such as the Madrid Chamber of Commerce, which in the early 1970s supported the creation of a quite effective French-Spanish committee (Comité de intercambios técnicos franco- español)<sup>54</sup>.

**Table 5**  
**Total contracts according to nature (licensing or AT) by supplying country**

<b>Country</b>	<b>Licensing</b>	<b>%</b>	<b>T.A.</b>	<b>%</b>	<b>Total</b>	<b>%</b>
Germany	158	17,08%	111	19,17%	269	17,89%
Germany/USA	2	0,22%	-	-	2	0,13%
Germany/France	-		2	0,35%	2	0,13%
Germany/Austria	1	0,11%	-	-	1	0,07%
Belgium	16	1,73%	13	2,25%	29	1,93%
Denmark	6	0,65%	7	1,21%	13	0,86%
France	240	25,95%	140	24,18%	380	25,27%
Holland	16	1,73%	11	1,90%	27	1,80%
Italy	82	8,86%	51	8,81%	133	8,84%
Italy/France	-		3	0,52%	3	0,20%
Italy/ Switzerland	2	0,22%	-	-	2	0,13%
Japan	12	1,30%	2	0,35%	14	0,93%
Sweden	15	1,62%	9	1,55%	24	1,60%
Switzerland	89	9,62%	43	7,43%	132	8,78%
United Kingdom	118	12,76%	42	7,25%	160	10,64%
UK/USA	1	0,11%	1	0,17%	2	0,13%
USA	138	14,92%	120	20,73%	258	17,15%
USA/France	1	0,11%	-	-	1	0,07%
USA/Switzerland	1	0,11%	-	-	1	0,07%
<b>Total</b>	<b>925</b>		<b>579</b>		<b>1504</b>	

Sources: Mar Cebrián, *Technological imitation and economic ...*, 181.

Several positive factors helped this trend. First of all, there existed secular tradition of French engineering in the country<sup>55</sup>. On the other hand, the nearness of the countries, the Spanish climate and the cultural affinity favored the French movement to complete AT missions. According to Sánchez, nobody rejected the idea to go to Spain<sup>56</sup>.

The Spanish weather allows us to introduce what we consider one of the turning points of our story: MASS TOURISM.

<sup>53</sup> The last percentage refers to a big number of TA contracts signed by MSE, according to our own research. Our database, linked with an ongoing research, contains more than 1.000 contracts signed between 1954 and 1975. Data completed with Mar Cebrián, *Technological imitation and economic growth during the golden age: Spain, 1959-1973*. (Ph.D Thesis, European University Institute, Florence 2004), 179.

<sup>54</sup> CCM Archives.

<sup>55</sup> Remember the trips of the mining engineers in the XIXth. M. F. Le Play, *Observations sur l'histoire naturelle...*

<sup>56</sup> Esther M. Sánchez, *Rumbo al Sur*, 183.

**Table 6**  
**Tourism flows (people and incomes) in Spain by countries, 1958-1969**  
(Entries are in thousands of people, incomes are in current dollars)

Origin/ Year	1.958	1.959	1.960	1.961	1.962	1.963	1.964	1.965	1.966	1.967	1.968	1.969
<b>Europe</b>	<b>2.149</b>	<b>2.561</b>	<b>3.847</b>	<b>5.009</b>	<b>5.759</b>	<b>7.080</b>	<b>9.488</b>	<b>11.986</b>	<b>13.212</b>	<b>13.254</b>	<b>15.819</b>	<b>18.087</b>
West Germany	195	201	305	448	637	791	918	1.011	1.309	1.253	1.389	1.800
<b>France</b>	<b>1.146</b>	<b>1.365</b>	<b>2.236</b>	<b>2.939</b>	<b>3.161</b>	<b>4.351</b>	<b>6.138</b>	<b>6.441</b>	<b>7.745</b>	<b>7.582</b>	<b>7.782</b>	<b>8.216</b>
Great Britain	300	362	445	577	724	905	998	1.027	1.750	1.950	2.285	2.564
Portugal	209	224	300	322	379	510	711	910	1.176	1.257	1.490	1.992
<b>America</b>	<b>392</b>	<b>432</b>	<b>447</b>	<b>493</b>	<b>528</b>	<b>532</b>	<b>521</b>	<b>645</b>	<b>780</b>	<b>1.049</b>	<b>1.087</b>	<b>1.313</b>
<b>Total Entries</b>	<b>3.594</b>	<b>4.195</b>	<b>6.113</b>	<b>7.455</b>	<b>8.669</b>	<b>10.932</b>	<b>14.103</b>	<b>14.251</b>	<b>17.252</b>	<b>17.858</b>	<b>19.814</b>	<b>21.682</b>
French Tourism Incomes	41,60	53,90	61,80	67,10	85,20	122,50	194,30	268,90	285,80	185,40	260,60	246,20
<b>Total Tourism Incomes</b>	<b>71,6</b>	<b>128,6</b>	<b>297,</b>	<b>384,60</b>	<b>512,60</b>	<b>679,30</b>	<b>918,60</b>	<b>1.104,9</b>	<b>1.292,5</b>	<b>1.209,9</b>	<b>1.212,7</b>	<b>1.310,1</b>

Sources: Esther M. Sánchez, *Rumbo al Sur...*, 277.

As table 6 shows, an impressive number of French tourists crossed the border to enjoy the Spanish climate. The combination of sunshine and long, safe publicly owned beaches were the unrejectable baits. The geography helped this process: for obvious reasons, the French first discovered, influenced, and enjoyed Spanish mass tourism. The process started at the border (Costa Brava) and moved southward along the Mediterranean seaside (Costa Dorada, Costa Blanca and Costa del Sol) and the Balearic Islands.

We have to clarify two arguments. First of all, let us to remind the characteristics of the French tourist. French citizen was supported by Thirty Glorious Years wave which brought about an impressive economic development, above all in the 1960's. This continuous growth subsequently transformed France into a mass consumption society<sup>57</sup>. When French people discovered Spanish coast, they brought with them their consumption customs or habits. Remember that French prefers (even nowadays) to travel with his car and to stay in camping. At the most, the last option is to buy a house. The 1960's Spain fulfilled all those preferences. Entrances by road accounted more than 80% of the total French arrivals into Spain<sup>58</sup>. Furthermore, the persistent gap between both economies turned Spain in very cheap country in comparison with French prices. On the other hand, Francoist authorities promoted and provided tourism as the way to continue with their liberalization policy. It was also a good manner to obtain foreign currency for balancing the Spanish Balance of Payments. This human tide, in search of beach, only needed the infrastructures: good roads to move and some places to buy as they were used to do in their country. One the most

<sup>57</sup> Hubert Bonin, *Histoire économique de la France depuis 1880* (Paris, 1988).

<sup>58</sup> Esther M. Sánchez, *Rumbo al sur...*, 284.

important consequences of this process in France was the import of the big retailing idea. We will take up this idea a little later.

At the same time, the Spanish miracle had some benefits effects on the Spanish society. If French economy had grown, the Spanish one did as good as its neighbour. Spain was in turn being transformed in a consumption society, as had happened several years before in France. Their own example gave some clues to the French entrepreneurial community. Banks were once again at the stake (see Diagram 1). Most of them, led by Paribas, started a diversification of their activities: investment consultancy and investment banks were the first steps to provide services to the French SME which were thinking about to settle in Spain, since 1962<sup>59</sup>. The investment banks were the first chance to access to the closed bank Spanish market<sup>60</sup>. Remember that the interwar period meant the complete withdrawal of French banking in Spain, except for CL and SG. Since thirty years, there was no effective presence in Spain. The French nationalized banks tried to seize this opportunity. Their action was limited (the Spanish partner remained controlling the firm) but coordinated. In fact, most of them (Paribas is the exception) were state-owned. So they played the role of instruments of the French economic policy for Spain. In fact, CL and SG corrected, in part, the failure of the 1963 credit with two big trade operations, better adapted to the Spanish requirements<sup>61</sup>.

Banks also introduced new financial products, like the leasing with Paribas and Uninter (1965) or the selling by instalments (Unifiban in 1965). Those new activities reveal for us four topics. First of all, we cannot deny the omnipresence of Paribas (diagram 1). About 1965, Cie.Bancaire, Suez, Banque de l'Indochine, Banque de l'Union Parisienne (BUP) and the Neufelize Bank belonged to the Paribas' orbit, they were under Paribas' control. In spite of any effective presence (the first office in Spain was opened in 1979), Paribas still was the most active French bank in Spanish market.

Furthermore, Paribas led this adaptation of the French banking supply to the new trends of Spanish demand. We have to explain this point. In the middle of the sixties, it seemed that the new Spanish consumption society needed new financial instruments to fulfil its necessities and expectations. They were discovering the small and economical car (the famous Seat 600 or the Renault models), the “sun and beach Holidays”, the television...

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<sup>59</sup> See table 3 which includes the authorized investment. According to FCCM, firms like CEFISA, Interfinsa or Consejo de España were the responsible, with their administrative action and their advices, of more than 50% of those effective investments.

<sup>60</sup> Juan Muñoz, *El Poder de la Banca en España* (Madrid, 1970).

<sup>61</sup> FBU, annual reports Induban and Eurobanco (1965). It was the same system: the investment banks (Induban and Eurobanco, in this case) awarded credits in order to order French supplies. Nevertheless, the steps were simpler and the quantities to request more adapted to the Spanish companies.

French banks were better placed to introduce those new services. They only applied what they had done ten years before in France. Paribas imitated, with the Compagnie Bancaire and The Banco Hispano-Americano, the former experience of the Crédit à l'Équipement Électro-ménager (CETELEM) created in 1953 to finance the acquisition of electrical supplies or automobiles<sup>62</sup>. UNIFIBAN was the Spanish final result of this idea, going forward to the Law of Selling by Instalments, which would be promulgated in July, 1965. In the board of administration only a French adviser appeared: Jacques de Fouchier. However, this name reveals the big bet done by the French firms. Indeed, he was the initiator of this successful idea in France<sup>63</sup>. The Compagnie Bancaire took 15 % of the capital including an agreement of technical assistance<sup>64</sup>. Nevertheless, the results were a bit disappointing<sup>65</sup>. The Spanish economy didn't seem to be enough prepared for those "inventions", but it was an interesting attempt. In fact, we think they came too early.

On the other hand, it is interesting to check how French banks led this process of introduction of innovations. In fact, those innovations were Anglo-Saxon creations. Nevertheless, their previous home experience allowed them to start their diversification in Spain. We will see later that it wasn't the unique case of adaptation of an Anglo-Saxon (American) idea to the Spanish market. This example of French "Americanization" could be a good starting point to understand why some ideas need a European sieve in order to cross borders. In other words, it could be a sign of adaptation or a symbol of the limits of globalization.

Finally, the fourth topic is that the banks started this game of "test and error". This procedure gave them important information. First of all, they knew their position inside the Spanish banking in general. They also detected the strong points and the weaknesses of the Spanish economy. Secondly, the process provided an update (using computer terms) from their vision of Spain. In fact, they renewed their perception on the Spanish potential but they also knew its limitations, which were able to be overcome as the country was approaching to Europe. In this sense, the signature of the Agreement of collaboration with the Economic European Community in 1970 was a spur to persevere in their efforts.

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<sup>62</sup> Gérard de CHAUNAC-LANZAC, *De la 4CV à la vidéo. 1953-1983, ces trente années qui ont changé notre vie. Histoire du Cetelem* (Paris, 1983).

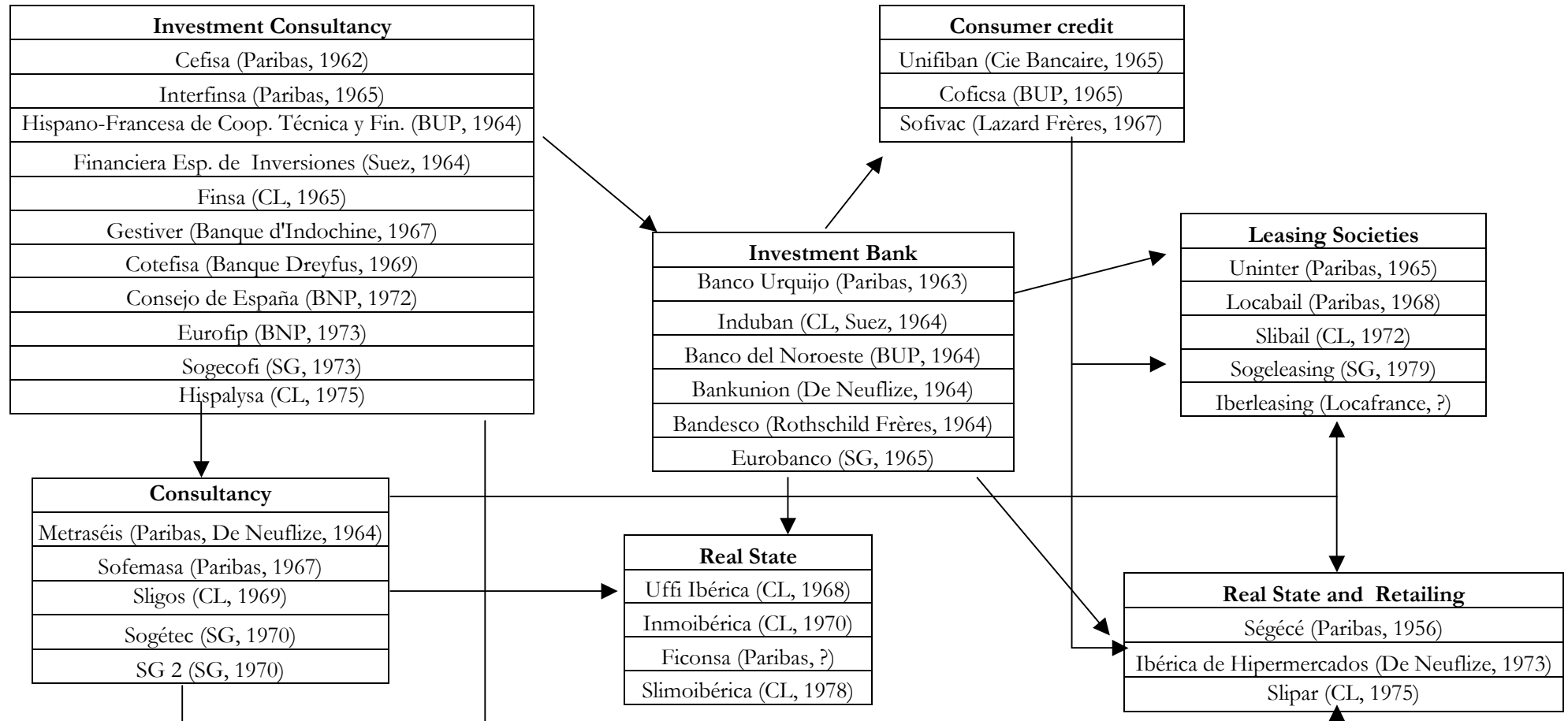
<sup>63</sup> FBU, annual report UNIFIBAN (1965).

<sup>64</sup> FBU, annual report Compagnie Bancaire (1965).

<sup>65</sup> FBU, annual report UNIFIBAN (1966).

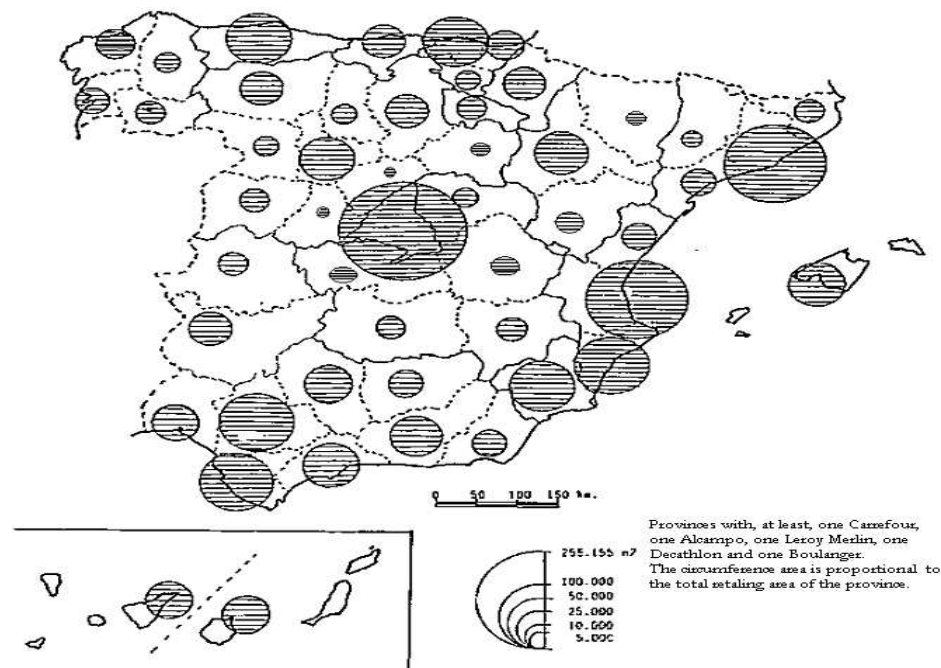
Diagram 1:

The diversification of French Banking since 1963



As they noticed how the Spanish economy was changing and where were the market niches, Bankunion, Induban, Banco Urquijo, among others, participated in the birth of the first Spanish motorway which followed the Catalan coast<sup>66</sup>. Bankunion (very closed to Paribas' and De Neuflyze's interests) was one of the main promoters. Metraseis (a French-Spanish consultancy) developed the project, which was born in 1962<sup>67</sup>. On the other hand, French tour operators identified and seized a new business opportunity: holiday resorts. Club Méditerranée built the first resort, in Alcudia (Mallorca), in the 1950s. The concept would succeed some ten years later, marking the beginning of intensive real estate activity that mainly involved French entrepreneurship and customers, and soon constituted a historically new kind of French community. The overall impact of tourism was remarkable, as shown by the early experience of northeast Spain (Catalonia). The increasing demand for infrastructure and commerce was at the root of the use of French capital in developing toll-paying motorways and hypermarkets along the Catalan seaside from the late 1960s<sup>68</sup>. The new model could start.

**Figure 6**  
**French Hypermarkets in Spain by location and size, 2004.**



Sources: Own production with data from [www.alimarket.es](http://www.alimarket.es).

<sup>66</sup> FBU, annual reports ACESA.

<sup>67</sup> See B.Diaz Nosty, *El "Affaire" de las Autopistas*, (Madrid, 1965).

<sup>68</sup> Dominique Barjot, "Bouygues, 1952-1989: From the Building Industry to the Service Sector," paper presented to the EBHA Conference, Barcelona, 16-18 Sept.2004.

**Table7**  
**French Hypermarkets openings, 1973-1976**

<b>Brandt</b>	<b>Spanish Society</b>	<b>Plce (city/region)</b>	<b>Area (m2)</b>	<b>Date</b>
Carrefour	Almar	Llobregat/ Catalonia	13.000	1.974
Hiper EuroMarché (Carrefour)	Iberia de Hipermercados	Barcelona/ Catalonia	12.000	1.974
Hiper EuroMarché (Carrefour)	Iberia de Hipermercados	Málaga/ Andalousia	16.000	1.974
Carrefour	Sogara	Tarragona/ Catalonia	12.000	1.975
Sant Ponc (Carrefour)	Sant Ponc S.A.	Gerona/ Catalonia	4.500	1.975
Continente	Promodes	Valence/ Valence	8.000	1.975
Carrefour	Sogara	Bilbao /Basque Country	13.000	1.976
Carrefour	Sogara	Sevilla /Andalousia	6.000	1.976
Carrefour	Sogara	Palma / Balearic Islands	6.000	1.976
Carrefour	Sogara	Alcorcón / Madrid	16.000	1.976
Jumbo	Jumbo Comercial	Madrid/ Madrid	6.000	1.976
Hiper EuroMarché (Carrefour)	Iberia de Hipermercados	Valence/ Valence	10.000	1.976
Hiper EuroMarché (Carrefour)	Iberia de Hipermercados	Zaragoza/ Aragon	10.000	1.976
Radar (E.Leclercq)	Hipermercados Esp. S.A.	Madrid/ Madrid	10.000	1.976
Radar (E.Leclercq)	Hipermercados Esp. S.A.	Bilbao /Basque Country	10.000	1.976
Mamouth	Cofradel	S.Sebastian/ Basque Country	10.000	1.976
Feria	Comercial Sevilla	Sevilla /Andalousia	8.000	1.976
Feria	Comercial Sevilla	Alicante/ Valence	8.000	1.976
Auchan	Alcampo, S.A.	Madrid/ Madrid	9.000	1.976
Cora	Grupo Valenciano S.A.	Valence/ Valence	7.000	1.976

Sources: FCCM bulletins

**TABLE 4b**  
**Top 19 French Firms, 2004, Relative Position in Spanish Market**

<b>Firm</b>	<b>Sector</b>	<b>Spanish "Birth" General Ranking</b>	
Altadis	Tobacco	1.887	9
Carrefour S.A	Retailing	1.972	11
Renault España	Automobiles	1.954	12
<i>Dia</i>	Retailing (discount)	1.979	13
Peugeot Citroën España	Automobiles	1.957	16
Aceralia	Iron and Steel industry	1.998	23
Al Campo	Retailing	1.973	30
Saint Gobain Cristalería	Glass	1.909	47
Axa Seguros, S.A.	Insurance	1.846	49
Valeo España	Automobiles (spare parts)	1950's	73
Grupo Alstom	Electric Equipment	1.923	74
Danone, S.A	Dairy Products	1919	76
Total Spain	Petroleum	1.964	77
Supermercados Sabeco	Retailing	1.966	86
Schneider Electric España	Equipment goods	1.923	119
Leroy Merlín	Retailing (specialized)	1.991	135
L'Oréal	Beauty	1.932	141
Alcatel España	telecommunications	1.926	160
Decathlon España	Retailing (specialized)	1.992	171
Supermercados Champion	Retailing	1.973	179

Sources: Ministerio de Industria, *Las 30.000 mayores empresas industriales de España, Fomento de la*



*producción*, (Madrid, 2006). “Las 5.000 mayores empresas industriales de España”, *Actualidad Económica* (Madrid, 2005)

The Table 7 shows how dynamic became this sector in the eve of the seventies. The present confirms that it was the good choice<sup>69</sup>. With 258 outlets in 2006, Carrefour leads nowadays the retailing sector and is among Spain’s top ten firms. Other French retailers (E. Leclerc, Mammouth, Aucham, Intermarché, Jumbo, and Continent) followed Carrefour’s trail, backing a new wave of French FDI in Spain. Family-owned and -managed, most of these firms were apparently newcomers. Specialized hypermarkets such as Decathlon (sports), Leroy Merlin (“do-it-yourself”), and Boulanger (electrical appliances) (see Table4b) would later join them.

French capital continued to benefit from the implementation of the French-inspired Spanish development plans. Our research reveals that new opportunities arose in retailing, high tech agriculture (agribusiness), steel, and technical assistance, in addition to the sectors that have flourished since the 1960s (motor industry and glass manufacturing)<sup>70</sup>. Of particular interest is technical assistance. Engineering and consultancy become another visible area of this new and successful wave of French FDI in Spain. We have already talked about the state-owned group SOFRE which took the lead beginning in the early 1970s. We cannot also forget the quoted Metrascis and SOFEMASA, both in Paribas’ influence, leaded, with the American Bedaux, the sector in Spain (above all, in human resources and computing)<sup>71</sup>.

The advent of democracy also affected French positions in Spain. According to Valéry Giscard d’Estaing’s memoirs, France was expected to patronize Spain’s young democracy<sup>72</sup>. One of the immediate effects was the liberalization of foreign banking. French banks were very responsive, and the most significant banks quickly set up offices in Spain’s largest towns. They also financed most of Spanish firm’s credit needs between 1979 y 1982. In fact, French banks lent more than 2.500 million dollars until 1982. The competition between French, American and German firms continued in the capital market of the eighties, as figure 7 shows.

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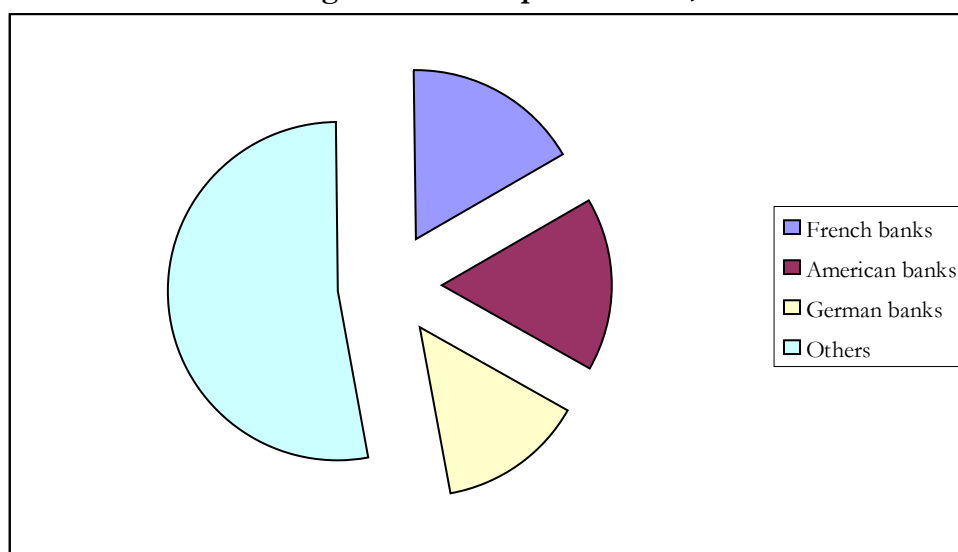
<sup>69</sup> To know the complete history of Carrefour, Christian Lhermie. *Carrefour ou l’invention de l’hypermarché*, (Paris, 2001).

<sup>70</sup> FCCM bulletin, 1970.

<sup>71</sup> FSSCM, bulletin.

<sup>72</sup> Valery Giscard d’Estaing, *El poder y la vida* (Madrid, 1988).

**Figure 7**  
**Granted foreign Credits to Spanish firms, 1979-1982.**



Sources: Own database completed with Dirección General de Política Financiera, *Memoria Estadística*, (Madrid, 1983) y AHP, Emprunts Internationaux.

European investment soared and France improved its position among Spain's best foreign investors and trade partners. The expectations created around Spain's membership in the European Market explain much of what happened between 1975 and 1986. No doubt the industrial crisis of the 1970s, plus America's decreasing interest in the Old World, also stimulated French investment in Spain. Later on, Spain's willingness to create a network of high-speed trains (AVE) inspired by the French TGV (*train à grande vitesse*) reinforced French direct investment and technological influence. In addition, we should not ignore the economic influence of anti-terrorist cooperation since the 1980s.

The recent evolution of French-Spanish trade reveals the pre-eminence of the motor industry. Since 1974, transportation equipment has dominated both exports and imports, amounting to over 20 percent of total trade. This is the result of the French automotive industry's creation of a manufacturing and exporting platform of low-cost vehicles in Spain. Until recently, American manufacturers Ford and General Motors also successfully adopted this model. Table 4a shows that French capital has slowly but firmly regained much of its pre-eminence in Spanish big business. Yet it is not the old investment pattern that supports French capital and entrepreneurship. The French style of doing business abroad may have survived (think of the careful strategy used by many firms and the primacy of personal relations), but French strength and capabilities focus primarily on sectors of the third industrial revolution. It seems that French capital, having faced so many difficulties in competing abroad during the second industrial revolution, has succeeded in seizing the opportunities created in a neighbouring country that was slow in

completing its second industrial revolution (hence the success of the French motor industry and engineering) and fast to enter the ongoing third industrial revolution and globalization.

Of course traces of the first industrial revolution remain. According to the Bank of France's data, much French investment in Spain concentrated on transportation, hypermarkets, and banks. Banks and railways constituted the basis of French leadership in nineteenth-century Spain. Two important (and fascinating) topics we are still researching are the high-speed train project (AVE—Madrid-Seville, inaugurated in 1992 and mainly built by Alstom) and recent Spanish direct investment in France.

### **Conclusions**

In this paper, we have addressed the dynamics of international investment and examined the patterns of international investment developed by a major home economy (France) in a major host economy (Spain) over the past 150 years. Drawing on archival research and secondary literature, we have contextualized, described, and analyzed those patterns. Our analysis has focused on the specificities, accumulated advantages, and persistent features of French investment, and the ways in which French firms have responded to challenges and changed. Spain might serve as a mirror for the recent evolution of French direct investment in Eastern Europe.

Our exercise shows that French capital developed specific investment models related to the wider institutional context, cultural background, and technological and organizational abilities of French firms. Spain's institutional setting and economic development has also shaped this model. It has exhibited a degree of inertia since it emerged within the framework of the first globalization wave. Yet it has faced exogenous as well as endogenous challenges that have moved it to adapt and eventually to change.

The focus of French activity, led by international investment banks, has been on Spain's natural resources, deficient infrastructure, and lack of capital, specializing in mining, railways, and public debt, and implementing French managerial ideas and practices in Spanish subsidiaries. In both quantitative and qualitative terms, the French had an overwhelming influence from the mid-nineteenth century to the outbreak of the Great War, thus shaping Spain's first industrial revolution and creating for themselves the advantages of the prime mover. Some authors have considered early French international investment to be "political." The Spanish experience reveals, indeed, that French firms excelled at lobbying and finding suitable local partners with no apparent help from their diplomats. The Péreire brothers are probably paradigmatic. However, Spain's chronic lack

of political stability and financial resources, in addition to the fact that personal relations have prevailed over legal arrangements in Spanish society (as in many other Mediterranean societies), can also explain the close links between French bankers and Spanish politicians characteristic of the time. France's strong commercial position and the French community (the largest foreign community in Spain) matched the hegemony of French direct investment.

The French model of investment underwent a major crisis during the interwar years. Its moving force, the banks, lost much of its original dynamism; the Spanish market turned out to be narrower than expected, the Spanish partners and government were not as complacent as before, and most new business opportunities arose outside the original field of French expertise.

The French-Spanish business community seemed aware of the challenges posed by what historians later called the second industrial revolution. Yet awareness did not necessarily mean action. There were attempts (failed, as well as successful) to catch up and compete with rising American and German competitors in new sectors such as chemicals, electro-techniques, and automobiles, but on the whole French influence declined. French managerial practice and ideas lost much of their original appeal, and France's diplomacy apparently did not defend its international business community. The subordinate role played by French firms within the international industrial cartels of the interwar period contrasts with the leading position of their German partners and rivals.

The evolution of post-war French investments in Spain was most interesting. French business people had gone through a hard time, with little support from their government, during the Spanish Civil War and World War II. Collective action and a very pragmatic approach to Spain's authoritarian regime and business leaders helped French firms play a remarkable role in Spain's industrialization. It was on this basis that the improved political climate between de Gaulle's France and Spain's technocrats created a new institutional framework and unique opportunities for French capital and expertise. Of particular relevance was the establishment of Renault, which brought the first step toward the transformation of Spain into an export platform of low-cost cars. Traditional patterns and habits remained, but the traditional French model of investment underwent remarkable changes; last and not least related to the emergence of a new industry in Spain under French leadership: mass tourism.

Spain's integration into the European Union after 1986 had significant effects on the patterns developed by French direct investment. We should not ignore the political dimension of this historical event, since France was Spain's main supporter. French investors seem to have reached a new and very successful stage, in tune with the ongoing transformation of Spain into a service economy. French investment had to re-invent itself after the decline of the interwar period. A new generation of French firms holds a dominant position in Spain's twenty-first-century business landscape.

Two topics deserve to be enhanced in the end of this work. First of all, we have to quote the omnipresence of the banks in the French economic activity in Spain. They were since the 1850's laws and they are still present in the consolidation of the new investment model based on the Spanish consumption society. On the other hand, in spite of a balance of trade dominated by the automotive industry, it is important to project the new model in the future. The last French loud industries (automobile, iron and steel) will leave the country, following the winds of Globalization, whereas those who are based on consumption will stay in Spain. The table 4b shows that the French businessmen have understood this Spanish singularity. At the beginning of the twenty-first century, French capital and expertise still play a relevant role in Spain's economy and society. In the end, the national patterns of investment in Spain seem to have been consistent and stable. Persistence, however, does not exclude change. In fact, French firms had a hard time adapting to the technological and institutional foundations of the second industrial revolution. Their current leadership in the Spanish economy reflects a long and struggling process through three major revolutions.