

"The conquest of the South". Swiss investments in Franco Spain.

According to the official statistics of the Franco regime, the Swiss investments occupy a privileged position in the Spanish market since the 1960s. Switzerland currently represents the second biggest investor on the Spanish market after the United States¹. However, before the Spanish Civil War, Switzerland was a modest investor on the Spanish market². This observation is confirmed by large investments of the Swiss companies in strategic sectors of the Spanish industry. Although this seems to confirm the role played by the Swiss financial market in the international relations³, this evolution is surprising considering the limited economic exchanges between the two countries before the 1940s.

The object of my paper will be to try to understand the reasons of this success. In this prospect, we can put forward various hypotheses. Did the Swiss neutrality constitute a trump card for the Swiss interests? Did the Swiss companies benefit from privileged conditions, which could explain the importance of the Swiss investments? Or on the contrary, did the Swiss entrepreneurs understand the specificity of Spanish dictatorial system to find the best strategies to defend their interests?

So, one of the aim of my paper will be to understand how companies and administration of a country which claims the perpetuity of its democratic model and its neutrality manage their economic interests with a dictatorial regime, denounced by a part of the international community.

The presentation is structured in three parts. First of all, it will be a question of making a quick synopsis of the history of the Swiss investments in Spain before the Civil War. Secondly, I will try to understand the specificity of the position of Swiss investors in Spain during the civil war and the Second World War. Finally, I will clarify the key elements during the 50s which explain the privileged position of the Swiss financiers on the Spanish market.

Swiss investments before the Spanish Civil War

Before the 20 century the Swiss companies were not among foreign investors in Spain. In spite of the French and English presence from second half of XIXth century, mainly in the railway and the mining sector, the Spanish market provoked little attraction in Swiss enterprises. The reasons were mainly the poverty of its industrial base and its lack of power resources. It was at the beginning of the century when the first Swiss initiatives took place, encouraged by the German projects in the hydroelectric industry. The first Swiss investments on Spanish territory took place after the vast offensive undertaken by Allgemeine Elektrizitäts-Gesellschaft (AEG) in Catalonia. However, after the 1st World War, a fecund period for the Swiss interests began⁴. The international expansion of the Swiss banks, the financial problems of the great European powers explained the development of the Swiss interests in the chemical, foodstuffs, electrical and insurances sectors. One of the best examples is the famous Nestle Company. Pioneer in investing in the Spanish foodstuffs sector after the 1st World War. This company started up the first milk condensed factory in Spain. So, before the beginning of the civil war, Nestle was

¹ See Juan MUÑOZ, Santiago ROLDÁN, Ángel SERRANO, *La internacionalización del capital en España, 1959-1977*, Madrid, Edicusa, 1978, José María ALVAREZ DE EULATE, « Política de financiación exterior », in : Luis Gámir (éd.), *Política económica de España*, Madrid, Alianza Editorial, 1994.

² See Manuel CAMPILLO, *Las inversiones extranjeras en España, 1850-1950*, Madrid, Gráfica Manfer, 1963.

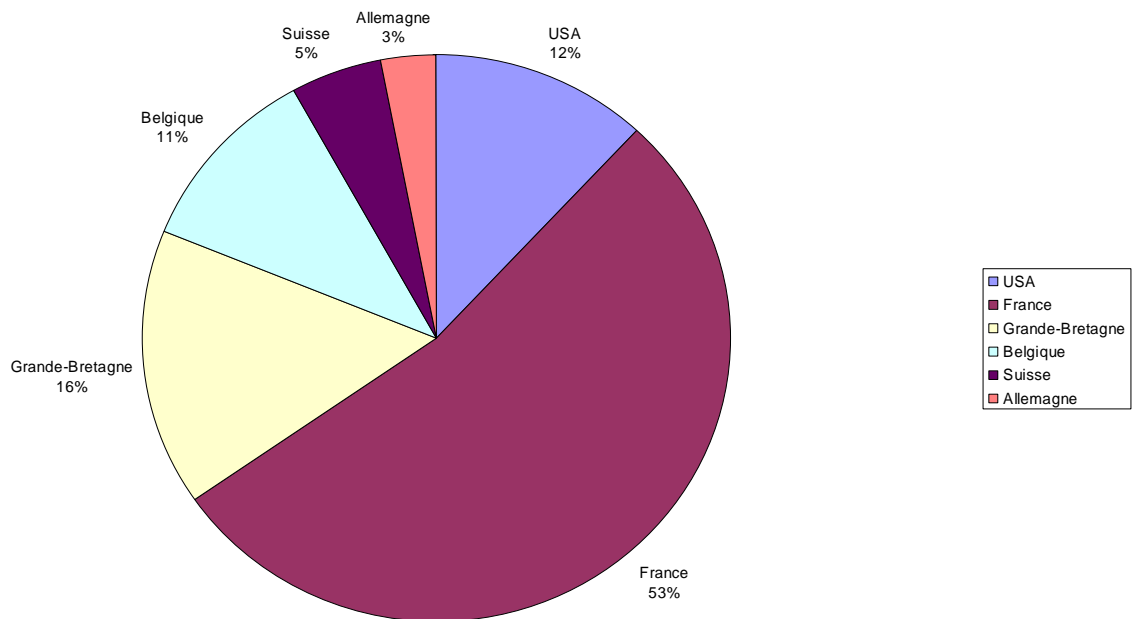
³ See Paul BAIROCH, Martin KÖRNER (ed.), *La Suisse dans l'économie mondiale: (15e-20e s.)*, Zurich, Chronos, 1990, Sébastien GUEX, « De la Suisse comme petit État faible : jalons pour sortir d'une image trompe-l'œil », in : Sébastien GUEX (ed.), *La Suisse et les grandes puissances 1914-1945*, Genève, Droz, 1999, pp. 7-29.

⁴ See Albert BRODER, « Les investissements suisses en Espagne (1890-1955) », in : Mauro CERUTTI, Sébastien GUEX, Peter HUBER, (ed.), *La Suisse et l'Espagne de la République à Franco*, Lausanne, Antipodes, 2001, pp. 441-462.

a prestigious company in Spain, with branches in Madrid and Catalonia. The main factory in Santander employed more than 600 workers⁵.

Before the beginning of the civil war, the Swiss credits in Spain were estimated to be almost 70 million Swiss francs⁶. Switzerland occupied then the fifth position (4%), behind France (54%), England (16%), U.S.A. (12%), Belgium (11%), but before Germany (3%)⁷.

GRAPH 1:



Second World War

The period of the Second World War and the immediate post-war is characterized by deep changes which had had important consequences on the foreign investments in Spain. This context offered new opportunities for the Swiss investors to develop their interests in the peninsula. In broad outline, we can distinguish three main changes:

⁵ See Sébastien FARRÉ, *La Suisse et l'Espagne, de la guerre civile à la mort du dictateur (1936-1975)*, Lausanne, Antipodes, 2006.

⁶ « Comité Espagne », Swiss association of the bankers to the Director of the Department 1, « Banco de España », 25.06.1936, *Documents diplomatiques suisses*, vol. 11, Berna, Benteli, 1989, pp. 744-748.

⁷ See Julio TASCÓN y Albert CARRERAS, « Investissements étrangers et intérêts suisses en Espagne (1936-1946) », in : Mauro CERUTTI, Sébastien GUEX y Peter HUBER, (éd.), *op. cit.*, p. 470. See too, Ivan Michailowitsch MAISKI, *Neuere Geschichte Spaniens 1808-1917*, Berlin, Rütten and Loenig, 1961, Ángel VIÑAS, *La Alemania nazi y el 18 de julio. Antecedentes de la intervención alemana en la guerra civil española*, Madrid, Alianza, 1977.

In the first place, the financial situation of the Spanish government after the civil war. The gold reserves of the bank of Spain and its financial assets were liquidated for the war effort⁸. In addition, the reconstruction of the industrial fabric of the country required technological and financial transfers.

Secondly, during the first phase of the war, Germany gradually replaced France and United Kingdom, as main economic and diplomatic partner of Spain. Nevertheless, further to the German collapse, Spain found itself isolated of the new international order. At the end of the war, the United Nations declared its opposition to a possible integration of Spain in its various bodies. Three years later, the regime was excluded from the Marshall plan⁹.

Thirdly, the dictatorship reinforced the nationalist and autarkic orientation of the Spanish economy, what threatens the development of the foreign interests in the peninsula¹⁰. In this very agitated context, Switzerland possessed robust arguments to develop its presence on the Spanish market.

In the first place, for commercial and financial reasons, Spain and Switzerland were spared by the destructions of the war. This period was very fruitful for the relations between both countries. Switzerland rebuilt its commercial and financial exchanges with Spain which had been paralyzed since 1936. Thanks to their non-belligerency, both countries benefited effectively from an advantageous position with regard to major powers involved in the war. During the war, Switzerland was the main source of currencies for the pro-Franco regime. Switzerland paid Spain the services in sea transports, which were essential for the preservation of the Helvetian economy. The credits in free currencies for Franco Spain amounted to more than 151 millions Swiss francs. This inflow was notably used by the pro-Franco regime to buy gold in Switzerland and to reconstitute its gold-bearing reserves which had been exhausted during the civil war. Switzerland exported to Spain more than 60 % of the Spanish golden purchases during this period¹¹.

Secondly, in at the end of the war, Switzerland could also hope to replace Germany and to establish itself as a privileged commercial partner for importation of machines and other industrial goods.

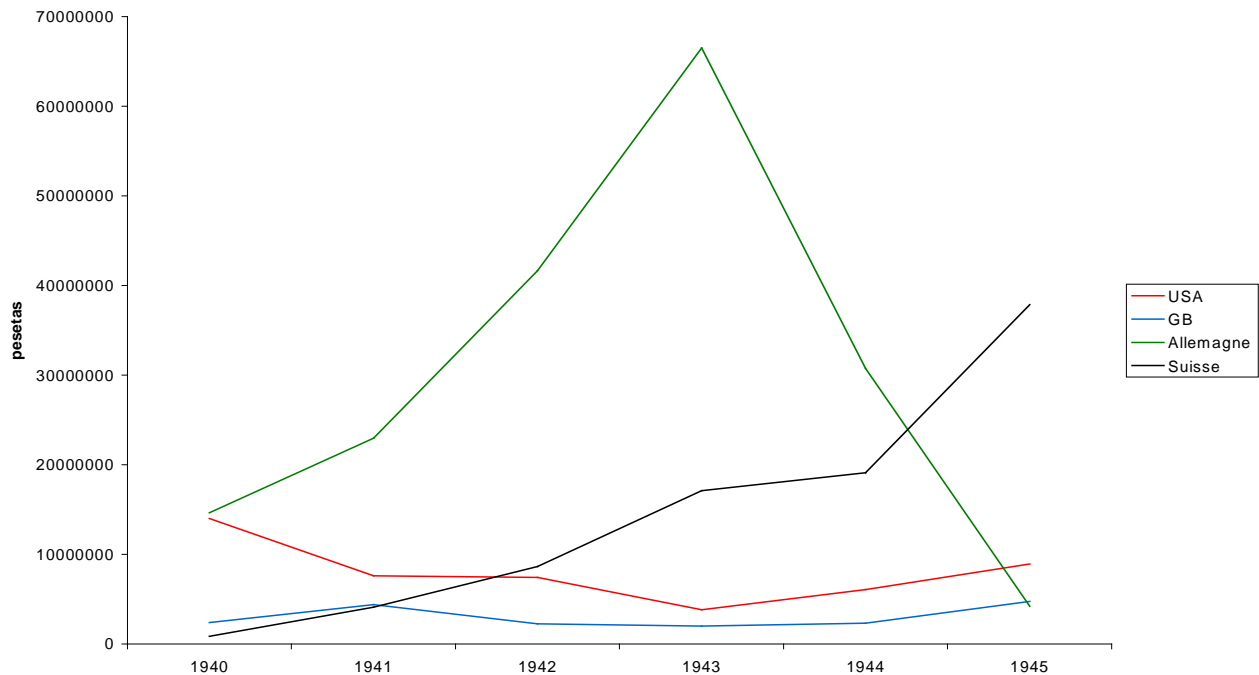
⁸ See Pablo MARTÍN ACEÑA (ed.), *La economía de la guerra civil*, Madrid, Marcial Pons, 2006.

⁹ Florentino Portero, *Franco aislado. La cuestión española (1945-1950)*, Madrid, Aguilar, 1989 and Lorenzo Delgado, « Le régime de Franco, le plan Marshall et les puissances occidentales », *Relations internationales*, n° 106, 2001.

¹⁰ José Luis García Delgado, « Estancamiento industrial e intervencionismo económico durante el primer franquismo », in : Josep Fontana (ed.), *España bajo el franquismo*, Barcelona, Espasa, 1986, pp. 170-191.

¹¹ See Sébastien FARRÉ, *op. cit.*.

*Spanish Country's importations. Class V, machines, cars*¹² : (pesetas-or)¹²



Finally, although in 1946 the United Nations proposed to its members the withdraw their ambassadors in Spain^[a1], the Swiss banks continued representing an important source in income for the country. Swiss banks offered new credits, about 20 millions CHF, to the Spanish government at the end of 1945¹³.

As the regime faced the pressure of the Eastern bloc and the big democracies, the political neutrality of Switzerland also constituted a guarantee for the development of solid relations and trust, especially at the economic level. Swiss government maintained cordial relations with the general Franco since the civil war. The federal authorities regarded, like the majority of the conservative opinion, Franco Spain as a guarantee of order on the West of the continent. In front of danger of a revolutionary alternative and an intensification of international communist movement, the pro-Franco regime was considered by Bern as a bastion of the anticommunist fight.

In spite of these very promising perspectives for the Swiss interests at the end of the 40s, the situation of the Swiss investments was disappointing. In the commercial sector, the exchanges from the second half of the year 1946 represented a strong decline, especially in the key sector of machines¹⁴. The projects of investments were also frozen. They represented more than 30 million Swiss Francs at the

¹² *Estadística del comercio exterior de España*, Madrid, Dirección general de Aduanas, 1940-1945.

¹³ See Sébastien FARRÉ, *op. cit.*.

¹⁴ See Peter HUG, Martin KLOTTER, « Der Bilelateralismus in seinem multilateralen Kontext. Die Aussenpolitik der Schweiz zur Sicherung ihres Aussenhandels und Zahlungsverkehrs, 1920/1930-1958/60 », in : Peter HUG, Martin KLOTTER, (éd.), *Aufstieg und Niedergang des Bilelateralismus : schweizerische Aussen- und Aussenwirtschaftspolitik 1930-1960 : Rahmenbedingungen, Entscheidungsstrukturen, Fallstudien*, Lausanne, Payot ; Zurich, Chronos, 1999, pp. 36-37.

end of 1940. In addition, the financial transfers face big difficulties in the despair of the Swiss entrepreneurs¹⁵. Finally, nationalist measures in certain strategic sectors^[a2], intended to decrease the foreign influence in the Spanish economy.

Investments, tourism and migration

The first conclusion we can draw up is that Switzerland did not finally manage to win a privileged position during this period despite the favourable diplomatic and commercial context. What are the causes of these disappointing perspectives?

We have already evoked the important role played by the autarkic policy developed by the Spanish regime. However, there are purely economic reasons which explain the numerous obstacles met by the Swiss investors on the Spanish market. We know that the financial resources of the regime remain very limited. So in the context of the Spanish foreign trade, limited by bilateral agreements of clearings, the regime reserved its resources in free currencies for importing of essential products for the survival country, such as wheat, artificial fertilizers and oil. So, the catastrophic situation of the Spanish financial reserves obliged the regime to control very austerely its imports¹⁶. Spain took radical measures which paralyzed its foreign trade. Madrid opposed to the currency outflow of the country, notably for the payments of interest of the foreign investments. Finally, the development of foreign investments was slowed down by the preservation, for reasons of prestige, of the peseta at an overvalued rate.

So, while during the civil war, the regime appeared as a guarantee of order and safety for the Helvetic interests, at the end of 1940', we notice a big change in the attitude of Swiss officials and entrepreneurs. Very disappointing for the economic situation and the Spanish policies; they are more critical of the Franco regime.

Then, how to explain the privileged position of the Swiss investments on the Spanish market at the beginning of 1960s? In fact, this process took place in several stages and several causes can be identified.

The first stage is the result of the American political and economic support from the beginning of 1950s. The Cold War, the containment policy explains that the American strategic imperatives was a moment decisive. The anticommunism of Franco and the very interesting geographic position of Spain made the American government decide to normalize its relations with Spain and propose an economic assistance in the exchange of the installation of military bases. The American assistance allowed stimulating the imports, in particular of raw materials and industrial goods.

Although the economic repercussions of this assistance are difficult to estimate, this agreement had an important meaning¹⁷. At the political level, it opened the way to the integration of Spain in the various

¹⁵ See Sébastien Farré, Jörg Ruckstuhl, « Las inversiones suizas en España durante el franquismo. De la guerra civil a la convención de doble imposición (1936-1966) », in : Julio Tascón (éd.), *Las inversiones extranjeras en España*, Madrid. Biblioteca Nueva, (publication : end 2007).

¹⁶ Fernando GUIRAO, *Spain and the reconstruction of Western Europe, 1945-57 : challenge and response*, Basingstoke [etc.], Macmillan ; New York, St. Martin's Press, 1998 and Sima LIEBERMAN, *Growth and Crisis in the Spanish Economy 1940-1993*, Londres ; Washington, Routledge, 1995, Angel VIÑAS...[et al.], *Política comercial exterior en España (1931-1975)*, Madrid, Banco Exterior de España, 1979.

¹⁷ Elena MARITNEZ RUIZ, « Sector exterior y crecimiento en la España autárquica », *Revista de Historia Económica*, n° extra., 2001, pp. 229-251, Oscar CALVO GÓNZALEZ, « ¡Bienvenido, Mister Marshall! La ayuda económica americana y la economía española en la década de 1950 », *Revista de Historia Económica*, n° spécial, 2001, pp. 253-271.

international bodies. The American policy constituted as well a reliable sign for the numerous entrepreneurs, interested to invest on the Spanish market.

The new American position was also going to favor a progressive modification of the commercial and financial policy of the Spanish regime¹⁸. In fact, the Spanish financial situation became more and more critical during 1950s. This forced the regime to modify the autarkic model by the arrival of a new generation of politicians and officials, who managed the economic opening of the country. The influence of these new elites played a major role for the implementation of a vast program of reforms in 1959, *Plán de Estabilización*, whose main objectives were to liberalize the foreign trade and to open the Spanish market to foreign investments.

This new policy was notably strengthened by an exceptional economic situation. This situation is characterized by the development of the western economy. Similarly, the beginning of the Korean conflict had been at the origin of a sensitive price increase of raw materials. So, Spain minerals, iron and steel allowed the inflow of currencies in the country¹⁹.

However, if these various elements explain the end of a long period of economic crisis, none of these elements is sufficient to explain the privileged Swiss position on the Spanish market.

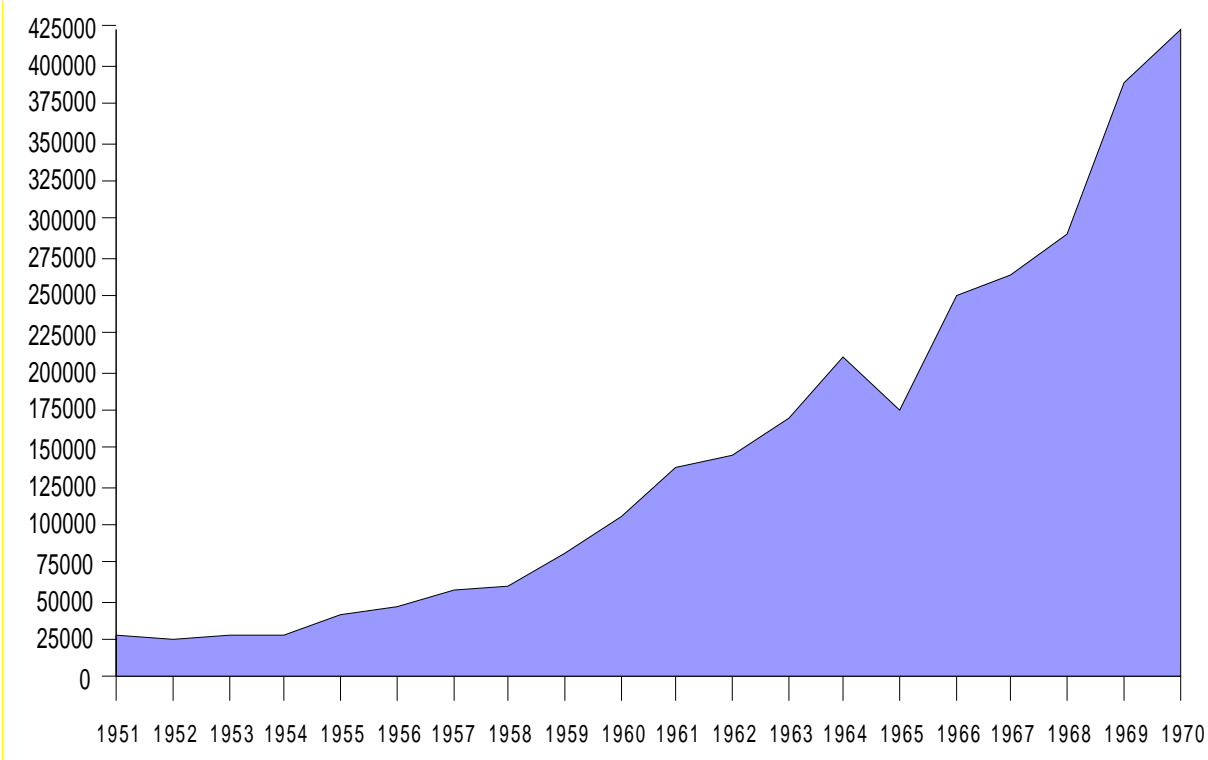
To understand the financial position of Switzerland in the peninsula, we must consider these phenomena in a more global perspective. First, we must stress the exceptional development of tourism and the Spanish emigration in Switzerland. Indeed, from that moment, we can follow a dynamic marked by the parallel development of the investments in Spain, tourism and emigration²⁰. So, Swiss investments are compensated in parallel with inputs from the tourism and financial transfers of the Spanish emigrants in Switzerland. Switzerland is effectively the third country of Spanish emigration. In my point of view, the Spanish-Swiss relations are exemplary of the model of Spanish development.

¹⁸ Jordi CATALÁN, « Sector exterior y crecimiento industrial. España y Europa, 1939-1959 », *Revista de Historia Industrial*, n° 8, 1995.

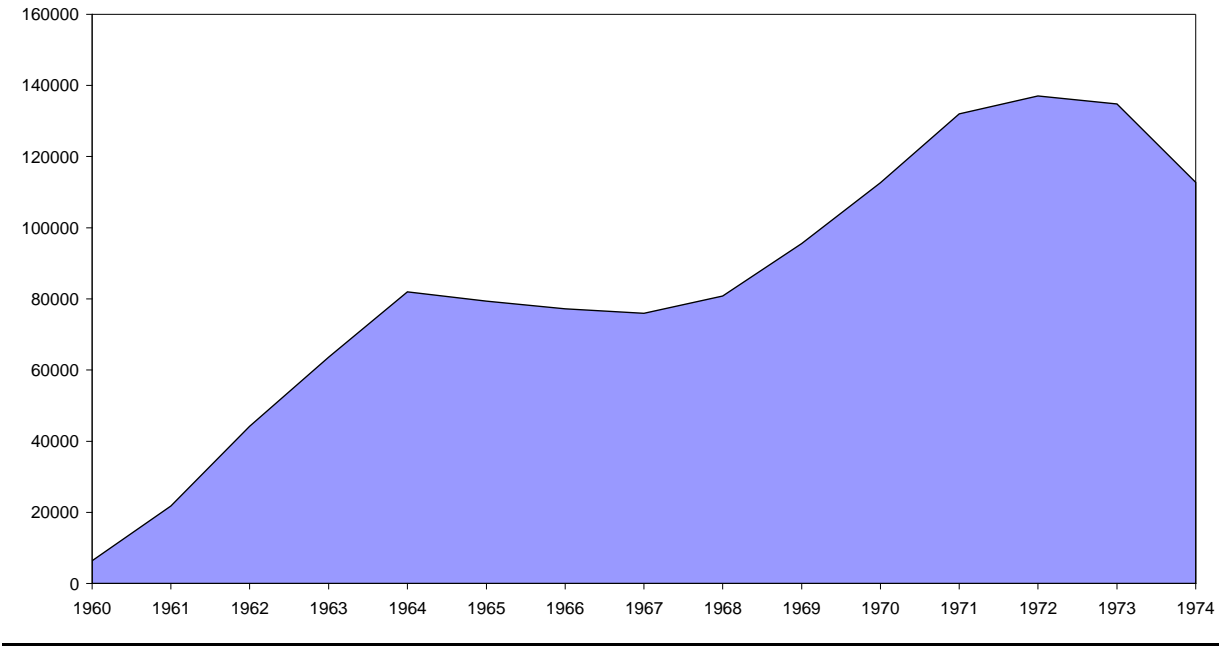
¹⁹ Cf. Jordi CATALÁN, « España y Europa, 1939-59 », *Revista de Historia Industrial*, n° 8, 1995, p. 122.

²⁰ Carmen RÓDENAS CALATAYUD, *Emigración y economía en España (1960-1990)*, Madrid, Civitas, 1994, Esther M. SÁNCHEZ SÁNCHEZ, « El auge del turismo europeo en la España de los años sesenta », *Arbor*, n° 669, 2001, pp. 201-223

Graph 2 : Tourists in Spain (1951-1970)²¹



Graph 3 : Spanish migrants in Switzerland (1959 1975)²²



²¹ Statistics of the Minister of Information and Tourism, cited by A. Parodi, swiss Ambassador in Madrid, report for the Division of Politic Affairs, 13.12.1971, Swiss Federal Archives, AF E 2001 (E) 1980-83/432.

To understand the position of Swiss Investors we can underline different elements. Contrary^[a3] to the French investors, Swiss investors were never limited for political or diplomatic reasons. The industry of Swiss export took advantage at this moment of the numerous economic links existing between both countries for several years. So, the neutrality of the country constituted a guarantee of confidence and stability for the Spanish authorities. This last aspect notably explains the very positive image of present Switzerland in Spain. In Spain, Switzerland appeared at this moment as a model; an example to be followed. Presented as a mirror of Europe, Switzerland seemed to show the way of the economic success. A country without natural resources, its industrial development was described as the result of the discipline and the patriotic spirit of these inhabitants, but also as a formula based on the political caution.

But, it is also necessary to consider the other factors which bring us to balance this very flattering position for Switzerland. Indeed, in the Swiss case these statistics can be misleading¹. First, a part of the Swiss investments in Spain resulted from foreign companies, in particular American which used the Helvetian financial platform to penetrate into the Spanish market. Moreover, it is also necessary to count on the fact that Switzerland banks managed^[a4] important Spanish capitals. Since the beginning of 1930s, Switzerland was effectively the main recipient of the Spanish tax evasion. So, probably a part of investments which appeared like Swiss investment in statistics is of Spanish origin.

Conclusion

In conclusion, what can we hold of this case study, characterized by the development of the financial exchanges between a dictatorial regime and a democratic and neutral country?

Since the beginning of the civil war, Switzerland was interested in maintaining cordial relations with its Spanish partner. This attitude is explained by its neutrality, but also by the anticommunism of the Swiss government. For this, Franco regime constitutes a partner who offers guarantees of order and defence of the private property. So, more than the neutrality of the country, it is the stability and continuity of the Swiss position which gave Switzerland of a favorable image in Franco Spain. In addition, the Swiss companies, which participated actively in the commercial and financial policy of the Swiss public administration, have all the support of the Swiss authorities. So, defending of the interests of the Swiss companies in Spain constituted the main axis of the Swiss foreign policy towards Spain.

However, the 1950s were decisive if we want to explain the remarkable development of the relations between both countries during the sixties. It is the result of a new dynamic which was the consequence of the development of the western economy, the progressive opening of the Spanish economy and the American financial and technological assistance. If the Swiss investors took advantages of this situation, it is above all for the role of financial platform on the international scene and financial refuge. Finally, it is also necessary to underline the importance of an extremely favorable situation marked by the parallel development of the economic integration of Spain, the Spanish immigration and the Swiss tourism in Spain. These are three elements which allowed the inflow of currencies in Spain and the financial opening of Spain.

²² *Annuaire Statistique suisse*, Berne : Bureau fédéral de la Statistique, 1960-1974.