

# The Spanish Foreign Sector 1885–1985\*

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## Introduction

Kuznets distinguishes three major external sources of economic growth. First, the transnational stock of knowledge – best described as the increasing application of science to problems of economic production and organization; second, the international flows of economic resources and goods; and, third, international political relations – which includes obtaining special privilege through aggression, colonial domination, or outright annexation. Of these three flows, only the international movements of goods, men and capital can be measured in the long run.

In the case of recent Spanish economic growth, the measurement of international flows of economic resources and goods still runs up against some problems. On the one hand, the accuracy of official foreign trade statistics for the period before 1950 has been questioned. Revised series have recently been produced for the period 1885–1935 and have been used in this work (Prados, 1986 and Tena, 1985). Despite the call for a revision of official figures for later years (Donges, 1976), no alternative series exist yet for the 1940s and 1950s. Therefore, official figures will be used to cover this period together with the years 1960–1985. On the other hand, no official measure exists for the invisibles (movements of services, men and capital) for the period before 1950. The few estimations available for these financial flows (Chamorro *et al.*, 1975 and Chamorro and Morales, 1976) are critically used in this work.

Section 1 offers an analysis of the evolution in the external orientation of the Spanish economy. Section 2 presents the main trends in the growth of the Spanish export and import series in the context of the international economy. Section 3 studies the structural changes produced in the export and import series in relation to Spanish economic growth. The paper ends with some brief conclusions of the main results analysed in the preceding sections.

## 1. Long-Term Trends of Spanish Economic Openness.

A common parameter to gauge the relevance of foreign trade in a national economy is to estimate its proportion with respect to GDP. This offers some idea about the interdependence of production and consumption, or about the degree of external orientation of the economy. A second parameter could be the ratio of current account balance to GDP, which would show the relative size of foreign loans and savings.

As Kuznets (1967) showed, there was a marked rise in the proportions of foreign trade to national income in the old developed countries before World War I, and a marked decline from 1913 to 1955. This evolution resulted from changes in the factors that are more effective in inducing growth of foreign trade than of domestic output. Grassman (1980) defines these factors as follows: first, the increasing internationalization is determined mainly by technological developments such as better communications, falling transportation, information and transaction costs, and probably some homogenization of national tastes, consumption patterns and production techniques. Second, less systematic factors like wars and changes in international agreements and trade practices (such as the use of tariffs, the exchange rate regime) have a more disturbing effect on foreign trade than on national output. It follows that changes in international agreements and practices can have either integrating or disintegrating effects and in consequence counteract or reinforce the technological internationalization process.

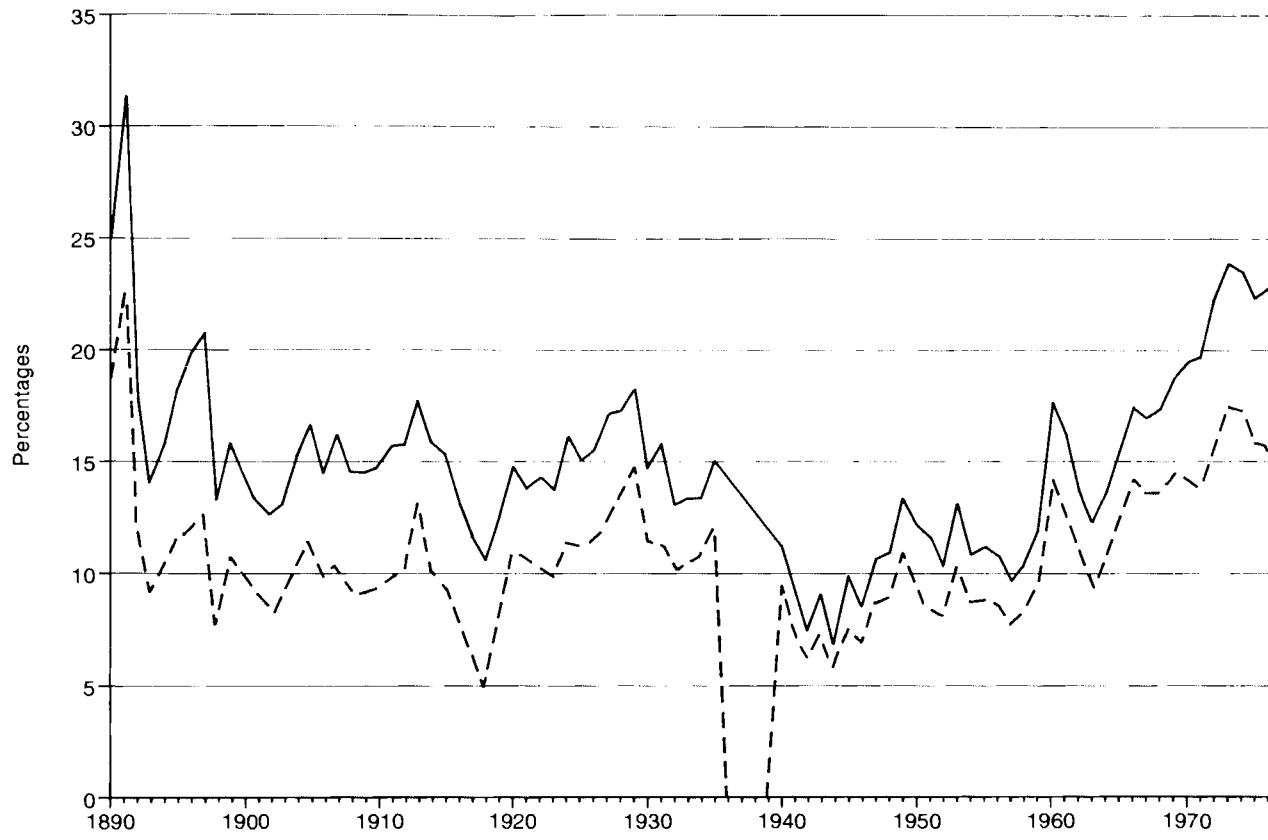
Table 1 measures the process of internationalization in five different economies from 1890 to 1985. We have used exports and imports as a share of GDP in terms of volume and GDP at purchasing power parity to avoid differences in the evolution of foreign trade over GDP prices.<sup>1</sup> For the three decades before World War I, the general increase in the degree of openness did not have the same evolution in all countries. From the beginning of the decade of 1890 to the 1913, the United Kingdom, Germany (only exports), Italy and even France increased steadily their degree of openness. Only Spanish figures show a remarkable decline from 1895 to 1904. It follows that in Spain, some national 'institutional arrangements' were retarding foreign trade proportions in a period of increasing openness in international economies.

Table 1 *Export Plus Imports as a Share of GDP, 1890–1985 (Percentages)*

Period	United Kingdom	France	Germany*	Italy	Spain
1890–1894	32.2	22.9	21.9	10.4	20.9
1895–1904	32.3	22.4	24.6	13.8	15.7
1904–1913	37.3	23.9	31.1	19.3	15.6
1920–1929	34.1	29.1	23.0	14.0	15.7
1930–1935	27.0	21.3	19.8	11.8	14.3
1946–1955	23.8	19.3	7.6	10.6	11.3
1955–1964	23.9	24.1	15.7	17.8	12.8
1965–1974	26.4	36.0	26.1	31.4	19.5
1976–1985	51.3	50.1	37.1	39.3	25.0

\* Exports as a share of GDP

Sources: 1965–1985: every country volume index of exports and imports United Nations (various years); volume index of GDPs at Purchasing Power Parity in OCEDE (1987). 1890–1975: volume index of exports and GDP for all countries except Spain and Italy from Madisson (1982); volume index imports, United Kingdom Mitchell-Dean (1962,72), France Levy-Leboyer (1970) and Annuaire (1966); Spain: Volume index of exports and imports 1890–1975, Tena (1988); Volume index GNP 1890–1901 in Carreras, (1985), 1901 1965 Alcaide (1976). Italy volume index of exports, imports and GDP, Ercolany (1978) except volume index of exports and imports 1922–1938 Tattara (1987).



OPTRADE: Spanish commodity trade as a share of GDP

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The evolution of Spanish foreign trade offered in Figure 1 would confirm this declining trend from 1895–1910. From Figure 1 and Table 1, we can observe how the internationalization process of the Spanish economy follows a declining trend from the turn of the century to the second half of the 1950s. From the second half of the 1950s to the present the trade/income ratios have increased continuously. The relative importance of trade for the Spanish economy, in contrast with some old and newly developed European countries, could be singled out as follows: from the turn of the century to World War I only Spain experienced a decline in the degree of openness. Meanwhile, in the 1920s and first half of the 1930s, the Spanish decline was smaller than the one experienced by the other four countries. The comparison with other countries shows that ‘institutional arrangements’ produced a more disintegrating effect in the Spanish economy before World War I than in the interwar period. From 1930 to the decade of the 1955–1964 all the countries increased their proportions of foreign trade with the exception of United Kingdom and Spain. This behaviour of the Spanish foreign trade proportions seem peculiar to Spain and the United Kingdom where economic and political arrangements proved capable of producing an exceptional disruption between the factors that induce growth in trade and in domestic output. From 1960 and until 1985, Spanish openness grew very fast but less than in Italy, Germany, France and even the United Kingdom. Only in the 1960s did Spain reduce the distance with some countries such as the United Kingdom, but that reduction was lost in the second half of the 1970s and early 1980s during the political transition to democracy.

## **2. Long-Run Trend Growth of Exports and Imports**

This section deals with the evolution of the Spanish export and import trade from the end of the 19th century until today. Figures 2 and 3 show the changes both in volume and current prices. Table 2 offers the export and import rates of growth for Spain, Italy, Europe and the World for different periods.

European exports were growing more slowly than the world average; however, the exports of some peripheral European countries, such as Italy, show growth rates which were higher than the world average. By contrast, Spanish exports were growing slowly even by European standards. Changes in world demand, loss of competitiveness of the Spanish economy, increasing tariff barriers (1892, 1906) and the abandonment of the gold standard are some of the reasons which explain the low growth of Spanish exports from 1890 to 1913.

For the interwar years, Lewis (1981) gives an annual rate of growth of 0.9 per cent for world trade (faster in the 1920s and slower in the 1930s). From 1913 to 1930 the growth of Spanish exports in current pesetas was faster than that of total European exports. However, measured by volume, the Spanish rate of growth was negative contrasting with the slightly positive rates of volume export for Europe. The relative decline of the Spanish exports during the following decade is difficult to measure, but the impression is that Spanish exports fell in proportions similar to those of Italy.

Between 1935 and 1950 the volume of Spanish exports declined at an annual rate of 0.9 per cent, whilst the Italian ones had an annual positive growth of 5.1 per cent. During the 1950s the international economy was expanding but Spanish exports reacted only partially with volume growth rates which were little more than one third of the Italian ones. Exports lost competitiveness caused by an inflexible import-substitution policy that isolated the Spanish

economy. In fact, as Figure 3 shows, the Spanish volume export did not overcome its pre-war levels until 1961–65. The new economic policy adopted after 1959 broke this trend and from 1960 to 1975 the Spanish exports grew at an average rate of 9.9 per cent in real terms; that was notably over the European export growth. The years 1975–85 show a minor contraction in the rate of growth of international trade. Spanish volume exports had reduced their growth rate in comparison with the previous period, but with an annual rate of 7.3 per cent was still increasing more quickly than the average for the OCDE European countries (5.0 per cent).

Table 2

	<i>Exports: Annual Average Rates of Growth</i>							
	Spain	Current prices			Spain*	Volume		
		Italy	Europe	World		Italy	Europe	World
1890–13	2.5	4.6 <sup>6</sup>	3.6 <sup>1</sup>	4.0 <sup>5</sup>	1.4	3.7	3.2 <sup>1</sup>	3.6
1922–29	9.6	7.1	–	–	5.3	9.5 <sup>11</sup>	(5.2) <sup>6</sup>	–
1913–29 <sup>a</sup>	4.4	11.8	2.8 <sup>2</sup>	3.2 <sup>3</sup>	–0.3	1.4 <sup>7</sup>	0.7 <sup>9</sup>	–
1938 <sup>b</sup> –50	5.7	42.7	6.7	–	–0.9	5.1	–	–
1950–60	26.0	11.7	9.7 <sup>4</sup>	7.8 <sup>4</sup>	5.8	13.4 <sup>6</sup>	–	–
1960 <sup>c</sup> –75	17.1	16.3	14.0	13.6	9.9 <sup>10</sup>	9.6 <sup>10</sup>	7.0	–
1975–85	12.2	8.5	7.6	8.2	7.3	5.7	5.0	–
1913–85	6.8	7.3	6.1 <sup>8</sup>	–	3.4	5.5	–	–

	<i>Imports: Annual Average Rates of Growth</i>							
	Spain	Current Prices			Spain*	Volume		
		Italy	Europe	World		Italy	Europe	World
1890–13	2.8	4.5 <sup>6</sup>	3.2 <sup>1</sup>	4.0 <sup>5</sup>	0.1	3.8 <sup>7</sup>	3.0 <sup>1</sup>	–
1913–29 <sup>a</sup>	5.4	11.7	3.0 <sup>2</sup>	3.2 <sup>3</sup>	2.1	1.2	–	–
1929–38	–4.5	–6.8	–3.3	–	–2.5	–6.8	–	–
1938 <sup>b</sup> –50	2.3	44.4	6.2	–	–2.9	4.5	–	–
1950–60	6.4	12.2	8.6 <sup>4</sup>	7.8 <sup>4</sup>	8.5	13.1 <sup>6</sup>	–	–
1960–75	28.2	15.0	13.7	13.6	15.2	8.3	7.1 <sup>10</sup>	–
1975–85	6.3	3.7	7.2	8.2	2.2	5.8	4.1	–
1913–85	6.9	7.0	5.9 <sup>8</sup>	–	–	–	–	–

\* Spanish exports and imports from 1890–1960 in current prices and volumes from Tena (1988). 1960–1985 from United Nations (1986).

<sup>a</sup> Europe and World 1913–28; <sup>b</sup> Spain 1935; <sup>c</sup> From 1960–1985 Europe = O.C.D.E. Europe.

Sources: <sup>1</sup> Bairoch (1976); <sup>2</sup> Svenilson (1954); <sup>3</sup> Dewhurst (1961); <sup>4</sup> United Nations (1986); <sup>5</sup> Lewis (1981); <sup>6</sup> ISTAT (1968); <sup>7</sup> Ercolani, Fua (1969); <sup>8</sup> 1913 Svenilson (1954), United Nations (1986); <sup>9</sup> Bairoch (1973); <sup>10</sup> Volume of exports of goods and service, United Nations (1986); <sup>11</sup> Tattara (1987).

Because of this fast growth of the last 25 years, Spain's export performance for the period 1913–1985 shows a rate of growth of 6.8 in current pesetas and 3.4 in real terms. This growth is higher than the European average. Further from 1900 to 1985 this growth was faster than

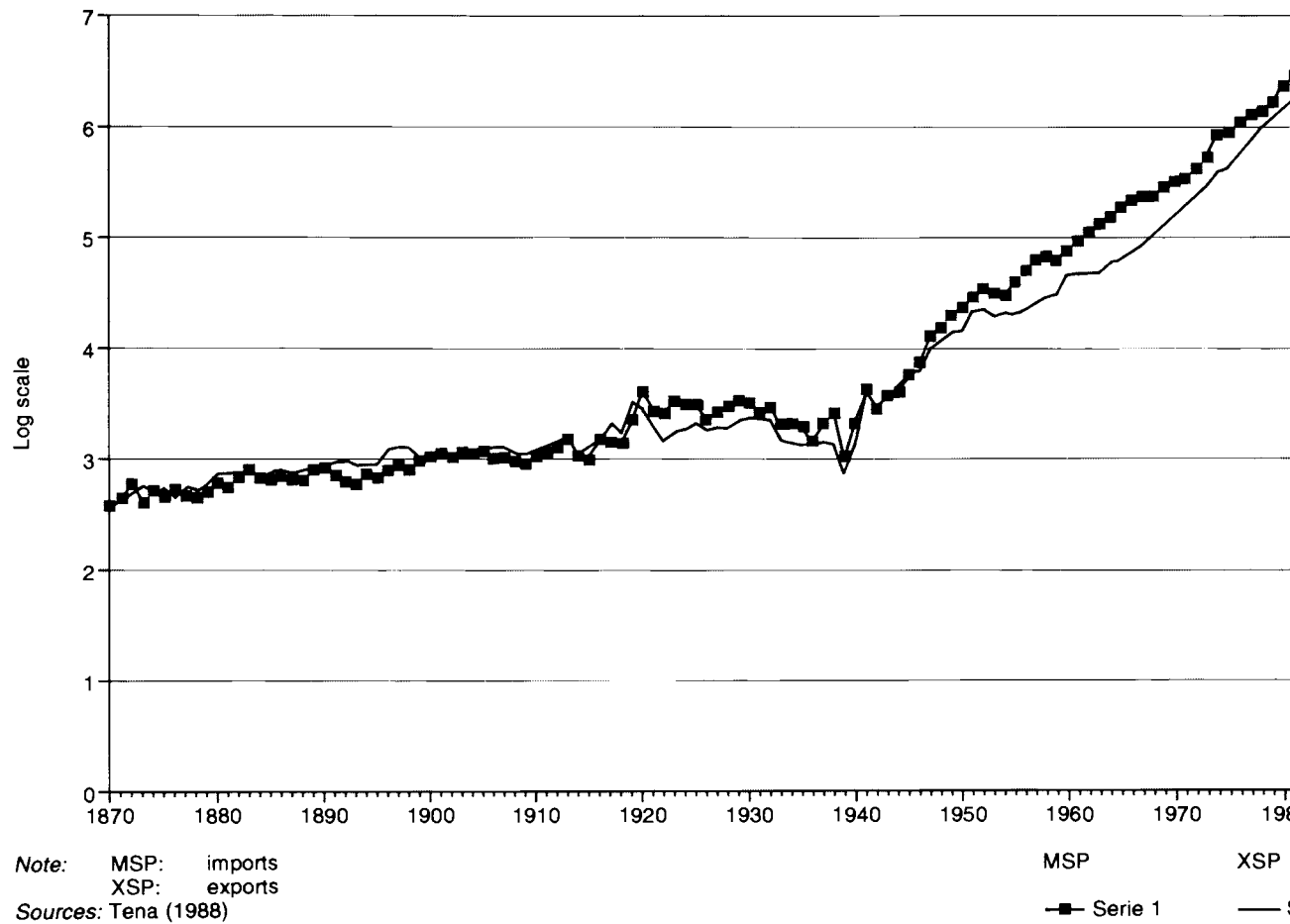


Figure 2 Spanish Exports and Imports 1870–1987 (current prices)

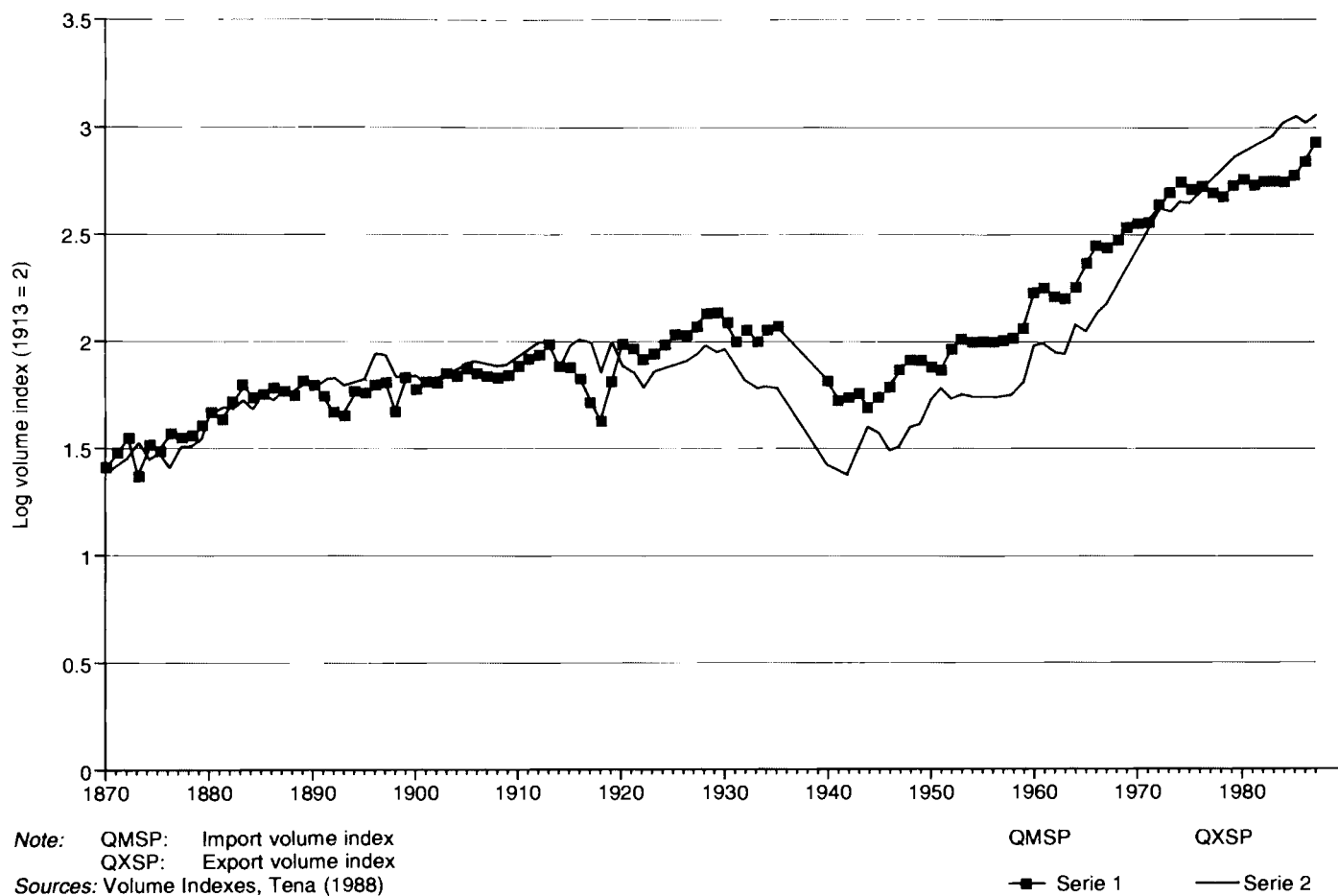


Figure 3 Spanish Exports and Imports (1913 = 100)

the GDP, as the respective ratios exports/GDP of 5.3 per cent and 9.6 per cent indicate. Generally speaking, exports have contributed positively to Spain's economic growth during the 20th century, since they have grown faster than GDP, with their contribution being greatest during the last 30 years.

Table 2 and Figures 2 and 3 also show the evolution of Spanish imports in volume and current pesetas for the period 1890–1985. From 1890 to 1913 the growth of Spanish imports was quite slow both in volume or current prices in comparison with the European figures. By contrast, the interwar years show a remarkable acceleration of Spanish imports, particularly during the 1920s. From 1913 to 1929 with a rate of growth at current prices of 5.4 per cent, Spanish imports grew faster than European and world imports. In real terms, a rate of 2.1 per cent for Spanish imports compared with the Italian rate of 1.2 per cent would confirm the remarkable acceleration of Spanish imports in the years 1922–1930. During the period 1929–38 the decline of imports in the international economy is clearly shown by the negative rates of Europe, both in volume and in current prices. Spanish imports declined less than European and less than exports in the same years.

During the post-1945 years, Spanish imports declined sharply both in volume and in current prices. From 1935 to 1950 imports declined at a negative rate of 2.9. In spite of this negative rate the recovery of pre-war levels was faster than in the case of exports. In real terms, the 1935 level was overtaken by 1956–60. In fact, the years 1950–1960 show an acceleration of imports with growth rates of 8.5 per cent in real terms. The following period shows an even more remarkable acceleration of imports than during the 1950s. From 1960 to 1975 the rates of growth of Spanish imports doubled the European average both in volume and current prices. In 1975–85 European import growth rates both declined, but the contraction of imports in Spain was sharper.

### **3. Changes in Export and Import Structure**

The information given by Spanish foreign trade statistics on commodities and groups of commodities has changed over the years. To preserve comparability over time it is useful to present the groups of commodities according to the same criteria. Data offered by Spanish statistics until 1950 have been used to elaborate a commodity classification which follows the two digit Standard International Trade Classification used by the United Nations from 1951 (see United Nations, 1961).

Table 3 summarizes the evolution of the nine STIC sections of Spanish exports from 1885 to 1985. This classification allows us to obtain larger groups, such as agricultural products, raw materials, fuels and manufactured goods. Group 9 includes commodities not classified in the previous groups. The main changes in the export structure can be summarized as follows: in 1885–89 manufactured products accounted for 18.8 per cent of total Spanish exports. From 1885–89 to World War I manufactures's share increased continuously, very swiftly at the beginning (1895–99, 25.7 per cent) and more slowly afterwards (29.2 per cent). The war years witnessed an increase in the participation of manufacturing (34.0 per cent), but it was less impressive than is often believed. In the 1920s this share was reduced progressively and in 1931–35 manufactures represented only 11.5 per cent of total exports. During the 1940s and the first half of the 1950s there was a slow increase (18.8 per cent). In 1961–65 the percentage



doubled, and in 1971–73 it doubled again (62.0 per cent). Today the predominance of manufactured goods, with more than 70 per cent, testifies to the deep transformation of the Spanish economy.

The main manufacturing sectors involved in this process were as follows: in 1895–99, metals (lead, copper and iron) represented 43.5 per cent of the total manufactures exported, cork products 14.5 per cent, footwear 9.0 per cent, leather fabrics 6.7 per cent. These proportions did not change significantly in 1905–9. From the turn of the century to the 1930s there is a certain expansion of industrial exports in some peripheral European countries but, as Fraile (1985) has suggested, the data show that from the first decade of the 20th century Spain was already falling behind. By 1931–35 Spanish exports had a net specialization in Mediterranean agricultural products. The share of manufactures was reduced to just 11.8 per cent of the total, exports, being made up by metals (35.8 per cent), cotton fabrics (25.5 per cent), manufactured cork (23.2 per cent) and, in representation of the new emerging sectors, chemical products (1.3 per cent). During the 1940s and 1950s, no major change took place.

*Table 3 Five Years Average of STIC Section as Percentage of Total Exports*

	1885– 89	1895– 99	1905– 09	1914– 18	1931– 35	1951– 55	1961– 64	1970– 73	1982– 85
0. Food and live animals	14.4	22.4	25.1	20.5	46.3	44.9	41.7	22.2	12.1
1. Beverage and tobacco	40.0	15.2	7.1	9.7	8.3	5.0	4.8	3.7	1.7
4. Animals and veg. oils	2.7	2.8	2.5	5.4	8.7	3.5	7.0	4.3	1.7
Total Agricultural Prod.	57.1	40.4	34.7	34.6	63.3	53.4	53.5	33.2	15.5
2. Raw Mat. except fuel	14.0	16.7	21.1	9.8	10.0	16.3	8.5	3.2	2.9
3. Minerals Fuels, Lubrif.	–	–	–	–	–	11.4	5.6	4.4	8.9
5. Chemicals	0.0	0.0	0.0	0.0	1.3	1.8	5.2	4.7	7.8
6. Manufactured goods	17.9	25.7	29.2	34.5	10.5	13.5	12.9	20.5	27.3
7. Machinery and transport	–	–	–	–	–	1.5	7.1	21.2	26.8
8. Miscellaneous manufact.	0.9	0.6	0.5	0.5	–	2.0	6.9	15.6	10.2
Total Manufactures	18.8	26.3	29.7	34.0	11.8	18.8	32.1	62.0	72.1
9. Other goods not classif.	10.1	16.6	14.5	19.6	14.9	0.1	0.3	0.2	0.6
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

*Sources:* 1885–1950 from 'Estadísticas del Comercio Exterior Español' various years.  
1951–1985 from 'Yearbooks of International Trade Statistics' various years.

By the early 1970s the situation had changed drastically. The fast growth of exports from 1961–65 to 1971–75 was based to a great extent on manufacturing, and in 1971–73 the percentage of manufactures to GDP was already 4.6 per cent. The main contributing sectors to this expansion were metals, chemicals, textiles and footwear. From 1971–75 to 1982–85 the growth of manufactured exports has been slower than in the previous decade but fast enough to increase the ratio to GDP to 9.3 per cent (twice the percentage of the previous decade). Metal manufactures and chemicals have increased slightly their percentages while textiles and footwear declined. Agricultural products, constituting in 1885–89 57.1 per cent of total exports declined slowly up to World War I to 34.6 per cent. In the post-war years this trend was reversed and by 1931–35 agricultural products represented 63.3 per cent of total exports. Before the

1960s this percentage never fell below 50 per cent. From 1961–65 it declined progressively and in 1982–85 was only 15.5. Some factors should be singled out in this process: a) the recovery of wine production in France reduced drastically the share of Spanish wine exports, which fell from 40.0 per cent in 1885–89 to 7.1 per cent in 1905–9; the slow increase in export of some typical Mediterranean products, the renewal in the growth of mineral exports (iron ore) and the already mentioned increase of some manufactured products also constituted factors for the decline in the wine export share before 1913; b) from the turn of the century a gradual specialization began in some Mediterranean agricultural products (citrus, dried fruits, olive oil, canned and fresh vegetables, etc.) – and their share in exports increased in the interwar years, and then was maintained steadily up to the second half of the 1960s; the relative failure to develop a competitive industry has been used to explain the high share in exports of food; c) the major industrialization of the Spanish economy which took place in the 1960s and 1970s explains the rapid substitution process of agricultural products for higher value added industrial goods.

Table 4 shows the evolution of imports from 1885–89 until today. Before World War I, food and live animals represented around 20 per cent of total imports. In the 1920s and 1930s, excluding raw tobacco, this percentage decreased slightly. In the 1940s it increased again and included new products such as vegetables and fresh fruits. In the 1950s and 1960s the main features were the incorporation of higher caloric food products and the reduction of importance of this group over total imports. From the 1970s until today this reduction has continued at a faster pace, and in 1982–85 food and live animals represent only 7.7 per cent of total imports.

Table 4 Five Years Average of STIC Section as Percentage of Total Imports

	1885/ 89	1895/ 99	1905/ 09	1914/ 18	1931/ 35	1951/ 55	1961/ 64	1970/ 73	1982/ 85
0. Food and live animals	19.8	16.6	21.3	14.6	15.6	10.8	14.0	11.4	7.7
1. Beverage and tobacco	5.5	0.2	0.1	0.2	3.2	2.6	2.0	1.6	1.5
4. Animals and veg. oils	0.0	–	–	–	–	1.1	3.3	0.6	0.3
Total Agricultural Prod.	25.3	16.8	21.4	14.8	18.8	14.5	19.3	13.6	9.5
2. Raw Mat. except fuel	18.9	19.8	19.6	20.3	26.7	22.3	15.0	16.9	11.0
3. Minerals Fuels, Lubrif.	6.1	5.9	7.0	4.2	7.8	23.1	14.0	14.1	38.3
5. Chemicals	2.3	3.6	5.4	2.9	2.8	7.9	9.0	10.8	7.9
6. Manufactured goods	15.5	10.2	14.7	8.6	4.2	8.9	12.6	12.9	7.8
7. Machinery and transport	3.9	6.1	3.6	5.8	14.5	21.7	26.8	26.3	19.9
8. Miscellaneous manufact.	1.0	0.8	0.9	0.5	0.4	1.6	2.8	5.3	5.0
Total Manufactures	21.7	20.7	24.6	19.8	21.9	40.1	51.2	53.3	40.6
9. Other goods not classif.	17.0	36.8	27.4	42.9	24.8	0.0	0.5	0.1	0.6
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Sources: 1885–1950 from 'Estadísticas del Comercio Exterior Español' various years.  
1951–1985 from 'Yearbooks of International Trade Statistics' various years.

An analysis of raw materials, fuels and manufactured imports gives a clearer idea of the main changes in the structure of demand during the industrialization process in Spain. From the end of the 19th century to 1913 the contribution of industrial inputs (such as cotton, coal, chemical, iron and steel manufactures and machinery) was already relevant. During the 1920s and 1930s

the importance of groups such as coal, metal manufactures (which probably have been substituted by national products) reduced their share of total imports. In the 1950s the demand for fuels and machinery increased significantly more than other industrial inputs. During the 1960s and early 1970s machinery increased its proportion again, representing more than a quarter of total imports, while fuels and crude materials reduced their share. In 1982–85, when most countries had readjusted their economies after the petroleum crises, the most significant feature of the Spanish structure of demand was the high percentage of fuels over total imports (38.3 per cent) – almost three times the share in of 1971–73. At the same time machinery and manufactured goods (mainly durable consumer goods), reduced their quota probably as a result of import substitution.

#### **4. The External Financial Flows**

Statistical information on Spanish external invisible flows is scarce, at least until the second half of the 1950s. Nevertheless it is useful to discuss the information which does exist. Table 5 presents figures for some isolated years for the period 1890–1959.

For 1890–1913 Prados (1988) offers an estimate of the commercial balance (see Figure 4) plus the contemporary estimations of invisible flows for some selected years. Table 5 shows for 1890–1911 a negative balance in services (caused by the interest paid on the external debt and the payment of dividends on foreign investments), with tourism as the only positive item. The positive trade balance – estimated by Prados (1986) – compensates for the deficits in the service balance. To this balance of goods and services has been added a positive balance of transfers from emigrants' remittances, available from 1900 onwards. The current account balance for the period 1890–1911 shows a surplus increasing from an annual 120 to 330 millions pesetas. Sardá (1948) and Broder (1976), have shown that during 1891–1900 the entrance of foreign direct investment declined in comparison with the previous period but increased again in 1901–1913. To sum up, the situation of the Spanish balance of payments for the years before 1913 would be the following: a positive trade balance matched by a negative service balance, and a steady increase of emigrant remittances that allowed a positive balance on the current account together with a growing importance of foreign investment.

During World War I the surplus in the trade balance increased, suggesting the existence of a positive balance on the current account. The interwar period began with a drastic change in the trend previously observed for the trade balance with significant deficits during the first half of the 1920s. As for the rest of current account flows, Table 5 only gives information for the years 1931–34 (see Chamorro *et al.*, 1975). It follows that for the 1920s it is only possible to make a backward extrapolation from Jainaga's balance of payments of 1931–34 (see Chamorro and Morales, 1976) and try to include some of the information given by the analysis of financial flows of the previous period. Taking this into consideration, the following assumptions have been made: a) in 1931–34 the balance of services was in deficit; the positive figures of tourism and shipping did not compensate for the negative balance of payments of debt interests and dividends and in consequence, the assumption that in the 1920s low figures for tourism and shipping did not compensate for the payment of debts and dividends seems reasonable and, consistent with pre-war trends; b) to this hypothetical deficit on services the new and important negative payments produced by the commercial deficits should be added; it does not seem likely

Table 5

	A. Estimations of Spanish Balance of Payments*								
	1890 <sup>a</sup>	1899 <sup>a</sup>	1904 <sup>a</sup>	1911 <sup>a</sup>	1931/34 <sup>b</sup>	1941/45 <sup>c</sup>	1946/50 <sup>c</sup>	1951/55 <sup>c</sup>	1959
<i>Balance of trade</i>	32	64	74	177	-150.0	2.55	-19.57	-39.118	-
<i>Balance of services</i>	-110/-130	178	-70	-	-115.0	32.88	-5.049	28.980	
- Interest on government debt	-30/-40	-180	-	-43	-132.5	13.60	-9.141	-3.93	
- Dividends from foreign investments	-80/-90	-130	-260	-	-54.0	4.55	3.121	-7.77	
- Insurance and freights	-	77	-	-	46.0	11.57	-5.27	-4.64	
- Spanish dividends	-	20	110	-	-	-	-	-	
- Other services	-	35	80	-	25	2.87	12.63	70.78	
<i>Balance of transfers</i>									
- Emigrants remittances		235	280	-	368.0	7.88	9.49	19.48	
<i>Balance of current account</i>		121	284	277/327	-317	43.31	-75.65	40.85	
- Autonomous capital movements	-	-	34.0 <sup>l</sup>	73.3 <sup>l</sup>	10.0	-12.49	61.96	23.77	

\* 1890-1934: Millions current pesetas  
1941-1959: Millions current dollars

Sources: <sup>a</sup> Prados (1988)  
<sup>b</sup> Chamorro (1976)  
<sup>c</sup> Chamorro (1975)  
<sup>l</sup> Sardá (1948)

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Table 5 (Continued)

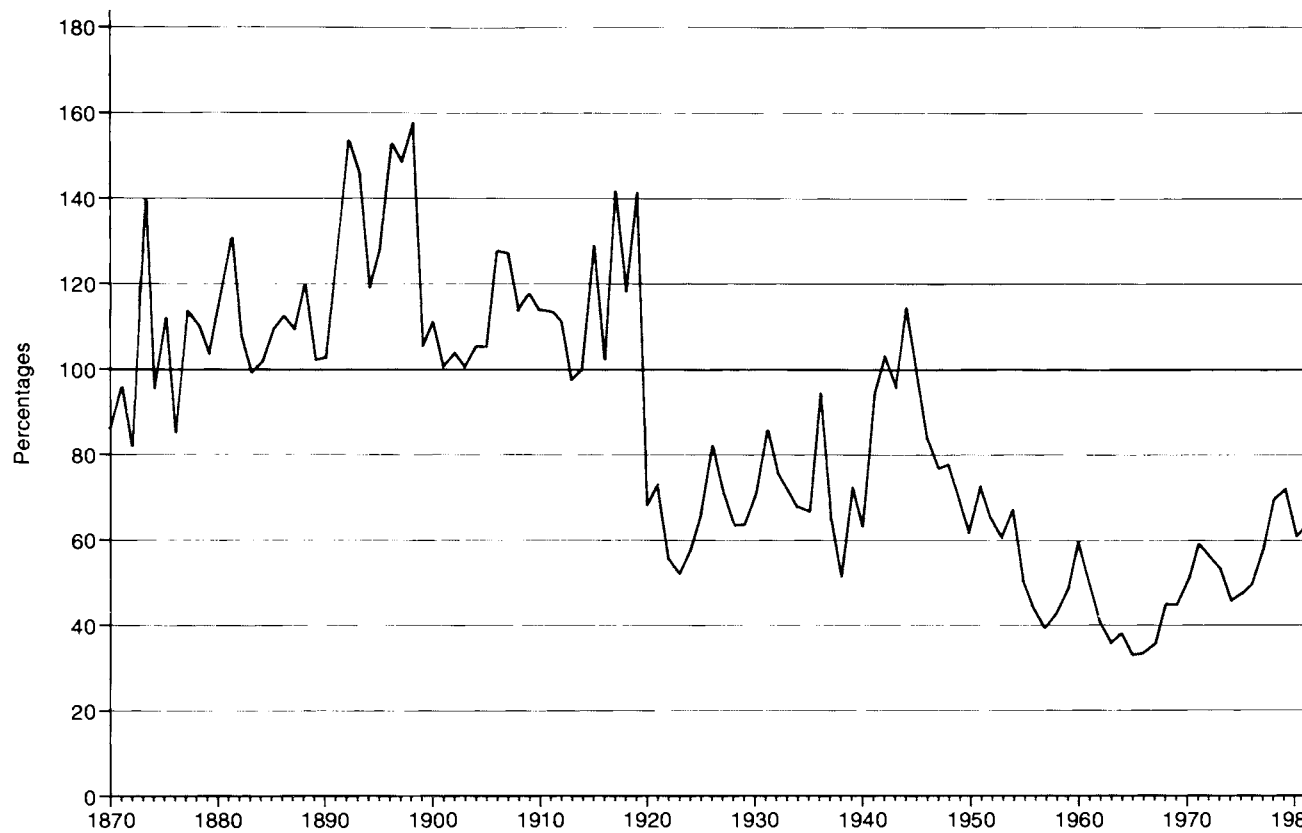
<i>B. Spanish Balance of Payments*</i>					
	1961/65	1966/70	1971/75	1976/80	1981/84
<i>Balance of trade</i>	-951.6	-1818.5	-4383.1	-6989.4	-7752.2
<i>Balance of services</i>	613.7	1001.5	2366.1	3603.2	3989.5
- Government transactions and other services	0.04	-60.8	-125.8	-333.0	-441.1
- Dividends from foreign investments	-16.9	-122.9	-101.6	-1001.5	-2410.8
- Insurance and freights	-26.7	-46.9	2.6	463.4	750.8
- Tourism and other services	657.3	1232.2	2591.1	4474.3	6163.4
<i>Balance of transfers</i>	264.4	501.5	1067.2	1608.6	1393.2
- Emigrants remittances	264.4	501.5	1067.2	1608.6	1393.2
<i>Balance of current account</i>	-73.5	-315.5	-949.8	-1777.5	-2369.5
- Autonomous capital movements	-223.7	526.9	1133.5	2432.3	3111.6

\* Millions current dollars

Sources: Processed from Requeijo (1985).

that this negative balance of goods and services was covered, as in previous periods, by a high level of emigration remittances; c) lastly, for foreign investments we can assume that during the 1920s or at least in the second half of the decade a growing economy and relative political and social stability plus high tariff barriers may have encouraged foreign capital inflows into the economy (Sainz Moreno, 1965); for the years 1931-4 the figures offered by Jainaga suggest a much reduced level of capital inflows. Nevertheless, during the 1920s or at least in the second half of the decade the image of a growing economy, relative political and social stability and high tariff barriers encouraged foreign capital inflows into the Spanish economy.

From 1946-50 to 1951-55 the commercial deficit doubled, but as it was low, receipts from tourism balanced it. In the second half of the 1950s the strong import demand multiplied by six the size of the 1951-56 commercial deficits. In these years, tourism increased very little and the commercial deficits were financed mainly by US transfers (the 'American Aid'). The coincidences and divergences of the behaviour of the foreign sector compared with previous periods can be summarized as follows: in 1955-59, as in the 1920s, the growth of the Spanish economy showed a strong dependence on imports and consequently commercial deficits increased; tourism flows (detected from the beginning of the century) increased their relevance in the Spanish balance of payments from the early 1950s, coinciding with the renewed growth in the European economies; by contrast, emigrant remittances, which had been of great importance for the balance of payments in 1890-1935, were practically nonexistent in 1946-59, and the entrance of capital through foreign investment was also virtually absent, with only public loans from Argentina in 1946-50, and from the USA in 1951-59 being relevant.



Source: Tena (1988)

Figure 4 *Ratio of Spanish Exports to Imports 1870–1987 (current prices)*

Between 1959 and 1985 the trade balance deficit increased greatly. From 1961 to 1971–75 the export coverage rate never rose above 50 per cent. It then increased to a rate of 70 per cent in 1980–84. The financial flows on the current account also increased greatly. With the exception of a few years, tourism covered more than 50 per cent of trade deficits. Emigrants' remittances showed an increasing trend until 1980, before they began to decline. However, this increase was slower than the increase in the commercial deficits, and remittances' coverage rates of the commercial deficit went from a maximum of 41.5 per cent in 1961 to a minimum of 11.5 in 1980.

The capital account also presents greater dynamism. Commercial deficit coverage increased from the beginning of the period from 23.5 per cent in 1961–65 to 40.0 per cent in 1981–84, with only a brief decline in 1971–75. Generally speaking, foreign investments represented half of the capital account and represented an upward trend in its coverage of commercial deficits from 13.3 per cent in 1961–65 to 17.2 in 1971–75. This share declined during the political transition (1975–79) to increase again in the 1980s. The evidence dealt with in this section singles out commercial deficits as the main negative flow of the Spanish balance of payments from 1920 to the present. During this long period, only five years (1942, 1944, 1945, 1951, 1960) show commercial surpluses, and always because of exceptional events (in 1942, 1944 and 1945 the war had opened new markets, and in 1960 the 'Plan de Estabilización' produced a sharp contraction in effective demand).

## 5. Conclusions

The level of openness of the Spanish economy at the turn of the 19th century was lower than the European, but very similar to the Italian. The diverging process began in the decade before World War I and not in the interwar years. This gap widened in the 1950s and early 1960s and from the second half of the 1960s it began to decrease. In 1975–85 Spain still presented a level of openness which is less than two-thirds of the Italian, another Mediterranean country.

In both 1890–1913 and 1938–60 imports and exports grew at an average rate which was lower than the Italian and the European standards, and the differentials in degree of openness increased. To explain this divergent behaviour, two hypotheses can be taken into account: a) in 1890–1913 and 1938–60 'institutional arrangements' had a more disturbing effect on foreign trade in Spain than in Italy and Europe at large. A difference in practices in the use of tariffs, exchange rate regimes and exchange restrictions would have induced a more disintegrating effect on the Spanish economy than in others during two periods of relative expansion of the international economy; and b) the backwardness and poor factor endowments restricted the development of competitive industrial manufactures at the end of the 19th century, which explains the failure of Spain to participate more actively in periods of expansion of the international economy.

The first hypothesis is supported for the period 1890–1913 by the fact that the Spanish economy did not join the gold standard system and the comparatively high level of tariff barriers of 1891 and 1906. During the 1950s Spain also restricted imports and had a system of fixed and overvalued exchange rates that isolated the Spanish economy in a moment when other countries began to liberalize their commercial policies. The reluctance of Spanish industry to compete in the international economy (contrasting with others European 'latecomers' such as Italy),

and its specialization in Mediterranean agricultural products, may also be a consequence of the previous backwardness of the Spanish industrial structure.

## Note

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1. The reliability of the Spanish foreign trade data in the period 1940-1959 in current pesetas is probably not very good, and the volume index is likely to be better.

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