

# THE ECONOMIC TRANSFORMATION

ANDORRA HAS NOT BECOME AN IMPORTANT TOURIST AND COMMERCIAL CENTRE OVERNIGHT. THE TRANSFORMATION BEGAN SOME FIFTY YEARS AGO AND IS THE RESULT OF THE LOGICAL PROCESS TAKING PLACE IN A SOCIETY MARKED BY THE GEOGRAPHICAL SITUATION THAT CONDITIONS THE WAY IT EVOLVES.



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**T**he economic splendour Andorra has achieved is a result of the accidents of history and of particular geo-political circumstances. The economic transformation that has made our country an important tourist and commercial centre did not take place overnight; it started fifty years ago and responds to the logical development of a society marked by the geographical situation conditioning the way it evolves.

Before the thirties the degree of development was not substantially different from that of the rest of the Pyrenees.

The economic changes started after 1929. It was during this period that a basic infrastructure was created for future development: electrification and roads. Communications have been vital in the process of change, since they have made Andorra more accessible as well as making her a stopping-off point for travellers and goods.

The traditional economic activity has always hinged around stock farming, and what could be not produced due to the limitations of the environment was obtained by the sale of surplus produce for cash. This exchange involved the

movement of goods between different countries, so that Spanish and French commercial policies had direct repercussions on Andorra's exterior trade.

In her relations with Spain and France, Andorra has always stood out for her capacity for adaptation: both the Spanish Civil War and World War II strengthened her role as a platform for the distribution of merchandise, a natural consequence of her geographical location. Both historical processes contributed to her current development.

The present commercial situation is a result of the low taxation in Andorra



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and of trade agreements with Spain and France. As the country developed its own commercial sector, communications became an important instrument of commercial policy, opening the way for international rather than strictly local exchange.

Commercial activity was already developing during the thirties, though only on a local level. In 1939, 115 commercial activities were counted, for a population of approximately 5,000 people. Today, retail trade exceeds 3,200 registered activities.

The transformation of the commercial sector is still continuing as an active process, since it is characteristic of trade in Andorra that it behaves like a living

organism capable of adapting to changing demands.

Tourism and trade are two closely linked and mutually reinforcing activities. It was commerce –and, more precisely, food smuggling– that first started to attract crowds of French tourists and shoppers after World War II. Later on, during the period of autarchy, the Spanish tourist became an assiduous visitor to the valleys of Andorra in his search for those consumer articles in such short supply in Spain.

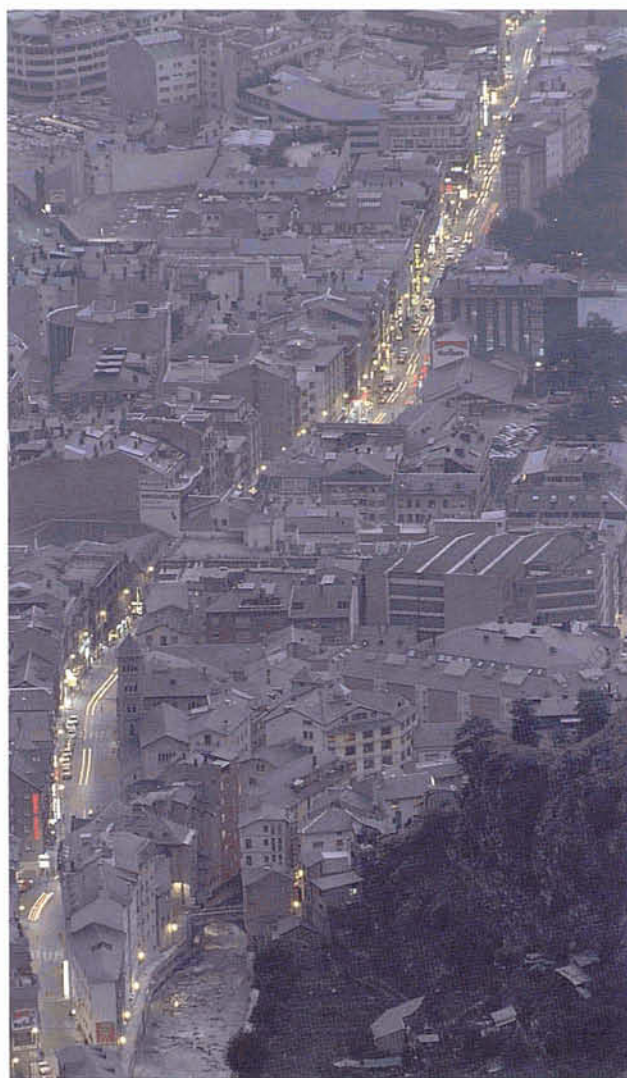
This led to the development of a tourist infrastructure which has, in the course of time, varied and multiplied what it has to offer, so as to cater not only for the tourist/shopper, who is still very im-

portant, but also for the tourist attracted by the country's special characteristics, by the landscape or the sporting activities. Winter sports, of course, have been a basic pillar in Andorra's tourist offer over the last decade.

Once again, in dealing with the tourist sector, we can see how the development that has taken place this century has been based on an incipient tourist activity that ninety years ago focused around the thermal waters of Les Escaldes.

While Andorra's commercial sector has, thanks to the new communications routes, been able to join international trade movements, the tourist sector has taken advantage of the proximity of the





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great international tourist centres and has managed to capture a part of the north-south flow originated by European tourism.

The distribution of hotel places presents similar characteristics to those of the retail trade centres. The greatest concentration is in the central valley –more precisely, in Andorra la Vella and Escaldes-Engordany, which, since it forms a single urban nucleus, looks like one long street crowded with shops. Because of the concentration of the work offer, some places have been relegated to the function of dormitory towns and others, closer to the ski-resorts, cater mainly for tourists taking part in this sport.

The consequences of these activities are therefore obvious: a geographical redistribution of the population according to different towns' degrees of specialization, heavy immigration and a landscape that has undergone important changes as a result of tourist and commercial exploitation.

I have mentioned trade and tourism, but we must not forget finance, channelled fundamentally through the banks. Andorra is a free port, since for the moment there are no taxes worth mentioning, except for customs duties.

Unlike the other activities we have looked at, finance is a phenomenon exclusive to the twentieth century, having developed as a consequence of trade

and protected by laws that, on the basis of a banking oligopoly, have allowed the country to become a tax haven for private individuals, though not for legal entities or companies.

The amount of capital held in Andorra's banks is such that it exceeds the country's own economic necessities and is reinvested abroad. The surplus comes not only from their own income, but also from the few credits that are granted.

To sum up, Andorra's position in the economic sphere has developed in such a way that it has resulted in a dynamic society based on trade, tourism and financial activity. ■