

# THE SITUATION OF THE ECONOMY AND THE OUTLOOK FOR THE FUTURE

ON 1 JULY 1991 THE ECONOMIC TREATY SIGNED BY ANDORRA WITH THE EEC CAME INTO EFFECT, MAKING OUR COUNTRY A MEMBER OF THE EUROPEAN CUSTOMS UNION. IT IS THEREFORE THE FIRST COUNTRY OUTSIDE THE COMMUNITY TO JOIN THE UNION.



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**T**he present situation of the Andorran economy is the result of a revolution in her production structures. This revolution, which began in the thirties, has speeded up, leading to changes in all spheres of our society that are not always easy to assimilate. As we approach the twenty-first century, Andorra is going through social, cultural, economic and institutional changes that pose a problem for economic growth in qualitative rather than in quantitative terms.

The economic revolution in progress  
The thirties for Andorra marked the real

period of transition to a service economy. This period was characterized by three decisive elements:

- electrification of the country,
- aperture of the country towards France, with the construction of the road to the French border in 1933,
- the Spanish civil war, World War II and the post-war years.

These three elements have been at the basis of our country's subsequent development and provided her economy with, first of all, two complementary foreign markets, secondly, a work force available to respond to her needs, and

thirdly, infrastructures facilitated by trade movements.

After the mid-fifties the rate of economic growth in Andorra increased, being further benefited by the expansion of all the western economies and especially those of France and Spain, which have multiplied their national income fourfold in the last thirty years.

This spectacular trend, fed by an attractive tax differential, is reflected in a radical transformation of our socio-economic structures:

- the number of companies or businesses has increased tenfold,





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- the catering trade and its industry have become the basic sectors in Andorra's economy, stimulating the construction and transport sectors, the service activities in general and finance in particular,
- the country has constructed important infrastructures to support the development process in communications, education, health, etc.,
- the population has increased eight-fold,
- the administration has extended its field of competence to strengthen this process. Its spending in investment and

administration has increased by more than a thousand in thirty years. This spectacular transformation has brought us to a level of development comparable to that of our most important neighbours. Per capita income is estimated to be close to \$15,000, which puts Andorra among the leading countries in the world. Population density is around 111 inhabitants per square kilometre and is strongly concentrated in the urban nuclei. The population is young and the general level of education good, though there are still some important deficiencies in professional training.

The near absence of direct taxation exerts a considerable attraction for foreign capital, leading to massive investment in the housing sector and thereby stimulating the building industry. Commerce and catering, with almost half the national income, are the basic activities of the Andorran economy. They are highly sensitive to qualitative and quantitative developments in tourism and make the whole of our economy very dependent on the exterior. Andorra at the crossroads

Until 1990, the rules that guided commercial relations between Andorra and the exterior were based on unilateral decisions by our neighbours. Spain's adhesion to the European Economic Community in 1985 eased the start of negotiations between Andorra and the EEC, which have led to an agreement that offers a new outlook for our country.

This agreement establishes Andorra's inclusion in the Customs Union, allowing the free circulation of industrial products between Andorra and the other members. Andorra remains a "third" country as regards the community, and this allows her to benefit from the restitutions for the exportation of agricultural products.

The tourist duty-free allowance –that is, the value of the goods that can circulate freely in the hands of tourists– have been fixed at the level of other EEC countries.

This recent agreement therefore constitutes a legal framework for the development of the Andorran economy according to current patterns of growth, as well as favouring the creation of an industrial sector with a view to exportation.

One fundamental question that Andorran society has to ask itself as it approaches this crossroads is whether these patterns of growth are a good thing in the long run; to be precise, whether it would not be wise to reject the massification of tourism or industrial activities that contaminate or attract unqualified labour.

This basic problem, together with the broad themes conditioning the future of the country (constitution, structuring of the administration, development of social protection, preservation of the natural heritage, etc.) are the great challenges facing Andorra as we approach the end of this century. ■