

Artículo

Sovhispan: a collaboration model between Spain and the USSR in the Canary Islands (1967-1991)

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A B S T R A C T

The article contributes to the study of the Sovhispan joint venture, created in the Canary Islands in 1971, with Soviet and Spanish capital (public and private one), in a bilateral political framework devoid of diplomatic relations. Sovhispan was dedicated to the provision of victualling services to the Soviet fishing vessels that arrived in the Canary Islands ports, from the late 1960's to 1991. In the first place, Sovhispan was the most suitable formula for collaboration between both countries, especially before the mutual diplomatic recognition in 1977. Secondly, it can be considered a model of a mixed Soviet company created overseas, both to obtain Western technology and to access the fishing resources of third countries. Finally, the arrival of the Soviet fishing fleet, one of the most powerful in the world, coincided with the attempts to industrialize the archipelago and positively influenced the economic development of the Canary Islands.

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Sovhispan: un modelo de colaboración entre España y la URSS en las Islas Canarias (1967-1991)

R E S U M E N

El artículo contribuye al estudio de la *joint venture* Sovhispan, creada en las Islas Canarias en 1971 por capital soviético y capital español (público y privado), en un marco político bilateral carente de relaciones diplomáticas. Sovhispan se dedicaba a la prestación de servicios de avituallamiento a los buques pesqueros soviéticos que arribaban en los puertos canarios desde los fines de los años sesenta hasta 1991. En primer lugar, Sovhispan fue la fórmula más adecuada para la colaboración entre ambos países, especialmente antes del reconocimiento diplomático mutuo en 1977. En segundo lugar, puede considerarse un modelo de empresa mixta soviética en el extranjero, creada tanto para obtener tecnología occidental como para acceder a los recursos pesqueros de terceros países. Por último, la llegada de la flota pesquera soviética, una de las más potentes del mundo, coincidió con los intentos de industrialización del archipiélago e influyó positivamente al desarrollo económico de las Islas Canarias.

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1. Introduction

This article analyzes the Spanish-Soviet company Sovhispan, in the context of the bilateral relations of 1967-1991. Sovhispan was conceived as a consignee for the provision of supply services to Soviet fishing vessels in the ultraperipheral Spanish territory of the Canary Islands (Bergasa Perdomo and González Viéitez, 1969). The case of Sovhispan is of special interest, because it deals with a joint venture of mixed capital, founded in 1971, in a political framework lacking diplomatic relations between Spain and the USSR, broken since 1939 and that would not be reestablished until 1977.

It can be affirmed that the study of Sovhispan has given way to a better understanding of the history of the bilateral relations between Spain and the USSR. Thus, the negotiations on the foundation of Sovhispan coincided with the signing of the 1967 Maritime Treaty between Spain and the Soviet Union. The development of the business activity of the joint venture, object of this study, regained its moment in the 1970s with the reestablishment of diplomatic relations in 1977, while the change in the direction of the joint venture in 1981 was dictated by the cooling of mutual relations as a Soviet response to the entry of Spain into NATO in 1982. Finally, the bankruptcy of Sovhispan in 1991 was the direct consequence of the dissolution of the USSR.

Regarding the general historical context, the studied period covers the final phase of the Cold War, the Spanish opening to the Western countries and the subsequent reestablishment of economic and political contacts with the socialist states of the Eastern bloc (Lobejón Herrero, 1999; Rodrigo Luelmo, 2015). The history of Sovhispan is an example of the collaboration between Spain and the Soviet Union during the Cold War, in the economic-fishing field, which contrasts with its cooperation with the United States in the economic, strategic and military sphere.

1.1. Sources and methodology

The present investigation is based on the concept of *business and corporate diplomacy*, which means the establishment of economic contacts regardless of the existence or not of political relations. *Business diplomacy* is ahead of political actions, is promoted by different agents of both parties, such as shareholders, businessmen, salespeople, customers, etc., in a fruitful bilateral cooperation (Asquer, 2012; González Más, 2015; Government of Spain, 2012).

In the case of Sovhispan, that process was started by the future shareholders of the company: representatives of the Compañía General de Tabacos de Filipinas (CGTF hereinafter, holders of 25% of the shares of Sovhispan,) and officials of Sovrybflot (State Corporation of the Soviet Fishing Fleet Abroad, principal shareholder of 50%). That *business diplomacy* led to the founding of Sovhispan in 1971, which drew, to a certain extent, the diplomatic recognition of both states until the Spanish transition began, and, at the same time, created the conditions, so that the establishment of the contacts of high level in 1977 would be an expected and necessary step (Anikéeva, 2011; Gróznaya, 2004; Lobejón Herrero, 1990; Rodrigo Luelmo, 2015; Samelyuk, 1990).

The foundation of a joint venture (Aragón Bueno, 2010; Puyo Arluciaga, 2007) with 50% of the Soviet capital, fitted into

the policy of the USSR to establish joint ventures outside the country in different economic areas, such as banking and insurance, maritime transport, consumer goods, machinery, equipment and fisheries (Albin, 1989; Central Intelligence Agency, 1977a; European Commission for Europe, 1989; Ustinov, 1979; Voznesénskaya, 1989). Precisely, the institution of Sovhispan in the legal Spanish territory, located, however, geographically in the area of Western Africa, an Atlantic Ocean region rich in fishery resources, responded both to the Soviet politics, and to the global trend of establishment of joint ventures, propelled by the introduction of exclusive economic zones for the exploitation of fishery resources (Central Intelligence Agency, 1977b; Cron Bilger, 1990; Gopalakrishnan, 1989; Kaczynski, 1979a, 1979b, 1979c; Kravanja and Shapiro, 1993; Österblom and Folke, 2015).

A first approximation of Sovhispan in the framework of the Spanish-Soviet contacts between 1967-1971, its activity in the ports of the Canary Islands, as well as the operations of the Soviet fishing fleet in the East Central Atlantic, have been examined by Yányshev Nésterova (2014, 2016a, 2016b). This study contributes to a deeper knowledge of this joint venture and aims to achieve the following objectives: a) demonstrate the interdependence between the development of Sovhispan and the course of bilateral affairs during 1967-1991; b) establish the differences between the period in which the company was directed by Soviet personnel (1971-1981) and the stage in which the Spanish part assumed the leadership (1981-1991), and c) underline the modernization of the Soviet fishing industry and the Soviet fishing fleet and its impact on the Canary Island's economy.

This article fits within the institutional economics approach, that is, we are interested in laws, the process of adaptation of organizations, the economic reality of the market and human actors that make decisions, design strategies and implement the response to changes that affect the whole society (Hamilton, 1919; Hodgson, 1998).

This study is based on Spanish, Russian and British primary sources. The National Archive of Catalonia (hereinafter ANC) which contains the documentation of the Compañía General de Tabacos de Filipinas, fund 138¹, covers the period between 1960-1990. The Mercantile Registry of Tenerife (hereinafter RMT) keeps the inscriptions of the Sovhispan statutes, from the 1st, made in 1971, to the 113th, dated in 1992. The annual reports of the Ministerio de Obras Públicas y Urbanismo (Spanish Ministry for Public Works and Urbanism) provide the data of entries of Soviet ships in Spanish ports, while the Russian State Economic Archive (hereinafter RGAE), fund 8202 of the Soviet fishing industry², stores the Sovrybflot papers. Finally, the National Archive of the United Kingdom (hereinafter NA) has documents related to Gibraltar in the framework of Soviet-Spanish and British relations.

The article is constructed in the following way: after the introduction, the background of the creation of Sovhispan is laid out. This section, carried out in the first part with secondary sources, tries to explain the mechanisms of the external projection of the Soviet economy in general and in the fishing field in particular, which leads the reader to understand what

¹ Hereinafter the abbreviations of fund, inventory unit and custody unit: F., U.I., U.C.

² Hereinafter the abbreviations of fund, inventory and file: F., I. 23, FI.

the Sovrybflot company was. In addition, this section takes into account the actions included under the heading of *business diplomacy*, which Spain and the Soviet Union began to develop since the late 1960s in the fishing sector and in the geographical scenario of the Canary archipelago. The third section is dedicated to the Sovhispan company itself, emphasizing the differences in the Soviet and Spanish modes of management. Finally, the conclusions summarize the key contributions of this research.

2. The background of the creation of Sovhispan, 1967-1971

2.1. The mechanisms of the Soviet overseas projection

In the Planned Soviet economy, external commercial activities of the USSR were taken over by the state monopoly in 1918, as prescribed in the Soviet Constitution. The Ministry of Foreign Trade oversaw Soviet business activity with foreign corporations (Gardner, 1983; Holzman, 1974; Lavinge 1991, 1992; Sanchez-Sibony, 2014), and was subordinated to the Council of Ministers of the USSR (a legislative body in name, and the national government in deed). Likewise, commercial representations and especially Foreign Trade Organizations (*Vneshnetorgoviye obyedineniya* in Russian; V/O hereinafter) remained the economic units ultimately authorized by the government to conduct activity outside the country (Wolf, 1988). Moreover, the State Committee on Science and Technology of the Council of Ministers managed the purchase and sale of licenses as well as the use of patents, whilst the Planning Committee (Gosplan) regulated the volume of exports and imports (Ivashkin and Sling, 1980; Sobel, 2013).

The V/O operated within their associated ministries: Ingosstrakh, or the Chief Agency of Foreign Insurance of the USSR (Ministry of Finance); Intourism, or Foreign Tourism (Ministry of Tourism); Vneshstorgizdat, or Foreign Trade Publishing of the State Committee of Publications; Vneshstekhnika, or Foreign Equipment of the State Committee of Science and Technology; Sovfraht, or Soviet Affreightment Abroad; Morspassflot, or the Maritime Passenger Fleet (Ministry of Merchant Navy); and, finally, Sovrybflot, or the Overseas Soviet Fishing Fleet (Ministry of Fisheries) (Ustinov, 1979; Central Intelligence Agency, 1977a).

The establishment of joint ventures with financial participation from public Soviet capital and local foreign partners embodied one of the authorized activities permitted to V/O entities. The USSR, as a rule, controlled 50% of joint venture shares, which made it possible to exercise control over overseas enterprise operations. Those enterprises, however, adhered to the legislation of the country in which they operated and integrated into its economy (Albin, 1989; Voznesénskaya, 1989). The joint ventures provided benefits for both parties, as the investor acquired the ability to reduce risk and capital costs and to decrease customs duties. The Soviet Union used joint ventures as a tool to promote the entry of its products into foreign markets, obtain equipment and technology, acquire freely convertible currency, access available resources and penetrate the economy of host countries. The states that allowed the presence of Soviet capital benefited from increased productivity, job creation and, ultimately, financial revenues (Economic Commission for Europe, 1988).

2.2. The Soviet fishing fleet and its externalization

After the end of the Second World War, international industrial fishing became widespread (Kaczynski, 1979a, 1979b; Kravanja and Shapiro, 1993; Österblom and Folke, 2015). The maritime powers of the time—Japan, USSR and USA—built modern distance fleets, which allowed them to fish overseas. The greatest concentration of fishery resources was discovered in the national waters of developing countries, which did not have the means to take advantage of their natural wealth. Consequently, since the late 1940s, nations with abundant fishery resources, initiated processes of claiming exclusive economic zones (hereinafter EEZ), which resulted in the adoption of the 200-mile EEZ in 1982. That institutional framework encouraged the founding of joint ventures in the fishing area between states of high-productivity fishing grounds and fleet owning nations (Kaczynski, 1979c; Crone Bilger, 1990).

Thus, in 1980, nearly 366 joint fishing ventures were registered with Japan as the undisputed leader (128), followed by Spain (32), the United States (28) and the USSR (26), whereas Africa (117), the Middle East and Asia (86) and South America (62) served as principal host regions (Gopalakrishnan, 1989). The Soviet Union adhered to the Japanese joint venture model in this case, continuing its own policy of internationalization via the parent company Sovrybflot within the vertical structure of its planned economy (Kravanja and Shapiro, 1993; Yányshev Nésterova, 2014).

Thus, the formation of the Soviet Fishing Fleet Overseas or V/O Sovrybflot in 1965 was brought about by a variety of inter-related factors. First, the improvement in the diet of Soviet citizens due to an increasing consumption of fish as a protein source, as it was hardly possible in the short term to increase the productivity of the agricultural sector, despite Nikita Khrushchev's reforms (Katz, 1972). Second, scientific and technical exploration of the oceans with the purpose of localizing regions rich in fish, including the Norwegian Sea, the East Coast of Canada, the Canary Islands, West Africa, Argentina, and the central and southwest Pacific (Crone Bilger, 1990). Sovrybflot emerged as an entity providing financial, technical, commercial and legal support to the Soviet fishing fleet, operating 3,570 to 4,550 nautical miles from Soviet coasts (Yányshev Nésterova, 2014). Third, the building of a fishing and commercial fleet of considerable tonnage (Kravanja and Shapiro, 1993) a circumstance that situated the USSR among other maritime leaders such as Norway, Japan and Great Britain, placed the country ahead of even the United States (Table 1; Central Intelligence Agency, 1977b).

The functions of Sovrybflot can be grouped into three categories: a) economic and financial tasks, operations related to obtaining freely convertible currency due to the exchange of fishery products for technological equipment necessary for the fishing industry, the establishment of economic contacts to obtain fishing licenses and, finally, the creation of joint ventures; b) legal matters, specifically the defence of the Soviet fishing fleet in the Maritime Arbitration Commission, and c) technical and logistical support, including the organization of charter flights, crew changes, and vessel supply (Yányshev Nésterova, 2014). The State Corporation Sovrybflot established approximately 17 joint ventures around the world, being the first and the most prosperous the Sovhispan joint venture, created in the Canary Islands, Spain, in 1971 (Yányshev Nésterova, 2016a). The total volume of investments in fisheries amounted to 4.4 million rubles (data from January 1, 1991) (Yányshev Nésterova, 2016b).

2.3. The Soviet Union and Spain: developing business diplomacy

Soviet-Spanish diplomatic affairs were restored in February 1977, and Spain (as well as Portugal) was one of the last European countries the Soviet Union normalized diplomatic relations with. The reestablishment of Soviet-Spanish contacts of the high level cannot be understood without examining the business or economic diplomacy (Gobierno de España, 2012; Asquer, 2012; González Mas, 2015) between those two nations that had intensified ten years previously in the Canary Islands.

It should be stressed also that the establishment of trade relations and the creation of Sovhispan in 1971 in advance of a later restoration of high-level affairs with Spain in 1977 cannot be considered as a practice unique of the Soviet Union. For instance, after the establishment of Soviet Russia, diplomatic recognition with many Western countries, such as Great Britain and the United States, began via economic exchanges. The Soviet enterprise Arcos was thus organized in London in 1920 and followed by the signing of the 1921 Anglo-Soviet Trade Agreement and the establishment of bilateral relations in 1924, which were interrupted in 1927, but respectfully restored in 1929 (Flory, 1977; University of Warwick, 1927). Similarly, the Soviet trade organization Amtorg was founded in 1924 in America, whilst the United States established diplomatic relations with the Soviet Union in 1933 (Melnikova-Raich, 2010; Ropes, 1943; Amtorg Trading Corporation, 1928).

If the Madrid Pact with the USA in 1953 meant the beginning of the abandonment of political isolation, combined with some military and economic aid to Spain, the Stabilization Plan of 1959 created a favourable institutional framework to economic opening, leaving behind the years of the autarchy (Barciela López *et al.*, 2001; Prados de la Escosura *et al.*, 2010; Tortella, 2000; Viñas, 2003). The Plan set forth a series of goals for the nation: currency's devaluation, a progressive liberalization of import, the expansion of foreign trade, and created a legal framework for direct foreign investments (Álvarez Pastor and

Eguidazu Palacios, 2002), even though the funds were of public, and, moreover, Soviet capital.

Furthermore, Spain would not become a full member of international institutions until it normalized diplomatic relations with the superpower of the Eastern Bloc as well as its satellite states (Anikéeva, 2011). In that case, such *business diplomacy* was implemented by the more progressive sector of the Franco regime, represented, mostly, by the Ministry of Commerce than by the Ministry of Foreign Affairs (Lobejón Herrero, 1999). Prior to the signing of the 1972 Commercial Treaty, Spanish-Soviet trade was quite irregular and only possible by clearing or reexport via other socialist countries, direct acquisition of Soviet goods by the Spanish government or concession of commercial licenses to particular enterprises. Monetary exchanges involving license concessions were not allowed, which encouraged enterprises to find an intermediary for the compensation of sales value. The main Spanish intermediaries were Epyr (of the March group), Ciex (linked to the Garrigues family), Prodag, Waimer and the Compañía General de Tabacos de Filipinas, a future share-holder of Sovhispan (Lobejón Herrero, 1999).

The geographical position of the Spanish outermost territory—the Canary Islands, opened another field for the *business diplomacy*: fishing activities. Thus, since the 1950s, Atlantic and especially West African fishing grounds have offered a high fish yield. Soviet catches in the Atlantic increased from 1,463,000 tons in 1960 to 3,823,000 tons in 1970, and in the Eastern Central Atlantic from 44,000 tons in 1960 to 620,000 tons in 1970 (Yányshev Nésterova, 2014). The Canary Islands therefore represented an ideal logistical center for Soviet fishing operations, and in the context of Soviet-Spanish bilateral relations, became a focus of the development of that corporate diplomacy. The signing of a Maritime Treaty between the two countries in 1967, and its further augmentation in 1969, legally supported the arrival of Soviet vessels into Spanish ports (Figure 1) (Centenera Ulecia, 2007; Yányshev Nésterova, 2016a).

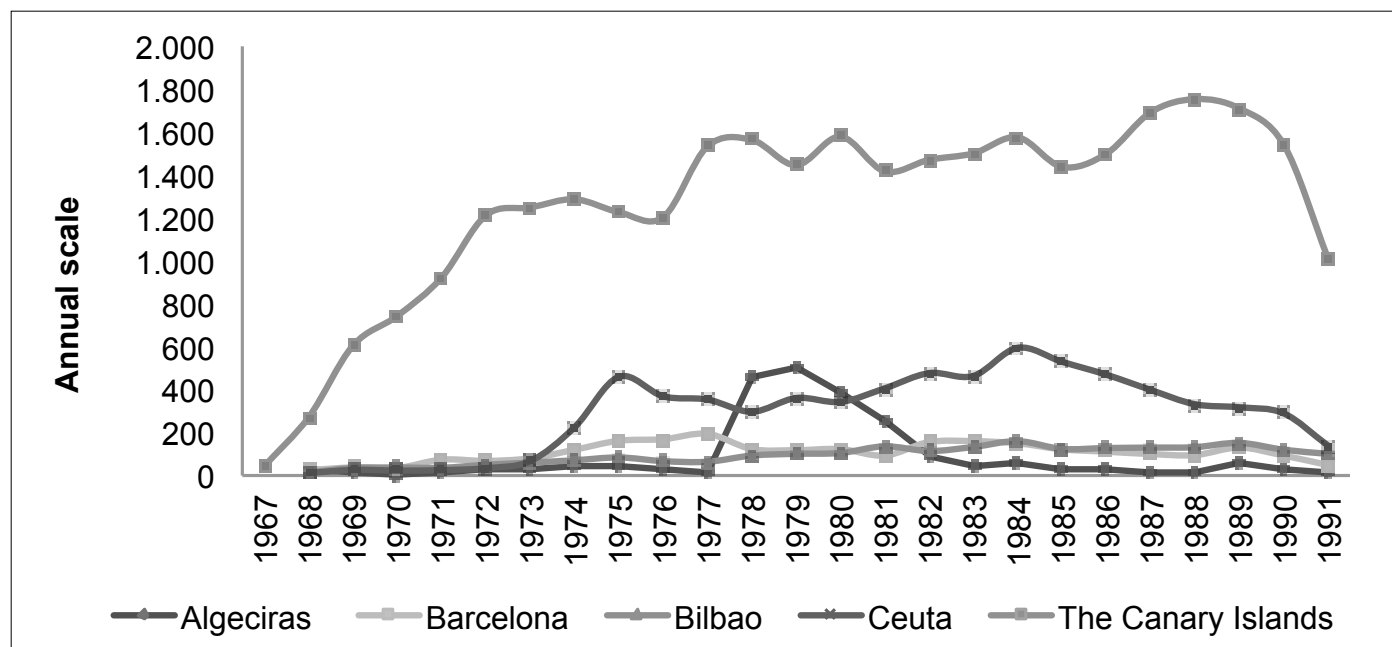


Figure 1. Annual number of scales of the Soviet vessels in Spanish ports, 1967-1991.

Source: Own elaboration based on Ministerio de Obras públicas y Urbanismo, Dirección General de Puertos y Costas (General Directorate for Ports and Coastlines) (1967-1991).

A clear predominance in the harbors of the Canary Islands, Santa Cruz de Tenerife and La Luz y de Las Palmas, is noted (Figure 1), followed by Ceuta and Algeciras due to their proximity to the Straits of Gibraltar and West Africa (Eastern Central Atlantic, according to the FAO classification). From that point forward, the supply of Soviet ships constituted one of the main activities of the Sovhispan joint venture.

It was the Compañía General de Tabacos de Filipinas in particular, a company from Barcelona (backed by the bodies of the Ministry of Commerce), that was involved either in trading operations with the Soviet Union since 1967 and negotiations with Sovinflat (Soviet Foreign Trade Fleet) and Sovrybflot regarding the establishment of joint venture in the Canary Islands for the supply of the Soviet fishing fleet³. For its part, Sovrybflot signed an agency agreement with the ship chandler Polsuardiá in 1967 and again in 1969 with the company Aucón, both located in the Canary archipelago. The negotiations, proceeded in Moscow, Madrid and Las Palmas during 1967-1971, considered also as a manifestation of the *business diplomacy*, revealed by Spanish and Soviet counterparts, laid the foundation of Sovhispan in 1971 (Yányshev Nésterova, 2016a).

It should be mentioned that the Soviet-Spanish rapprochement in 1967-1969 was conditioned also by a mutual interest in neutralizing Gibraltar as a British military and naval base. Spain was requesting the region's decolonization and the recuperation of its sovereignty, while the Soviet Union was demanding the abolition of all military bases in that area⁴. Prior to the Soviet-Spanish Maritime Treaty of 1967, Soviet merchant and fishing vessels on their Atlantic routes frequently stopped in Gibraltar. In 1967, for example, the value of supply carried by Soviet and Bulgarian bunkers amounted to 400,000 pounds, representing nearly one-third of the total uplift of bunkers at Gibraltar. Moreover, Soviet crews spent around 50,000 pounds in shops situated along Main Street, considering two or three calls a year, and were a major source of support for the local economy⁵. Dossiers of British authorities stated that in April 1967 the "captains of Russian ships are now being instructed to call at Spanish ports rather than Gibraltar for bunkering and water supplies". Furthermore, those reports underscored the decline of Soviet ships stopping there since 1967, due to "the political decision to withdraw Soviet vessels", observing changes in the attitude of the Franco regime towards Eastern Bloc trade⁶.

Thus, the Soviet and Spanish authorities found a formula for successful cooperation that avoided, for that time, political recognition, but permitted a fruitful economic cooperation. It is important to stress that Sovrybflot was involved not only in Sovhispan but also in other Soviet-foreign joint ventures that collaborated with each other. The Soviet parent company oversaw the arrival of fishing vessels to the Canary Islands (Figure 1), provided fish for distribution at domestic and international levels, acted as an intermediary in the repair of vessels in the Canary shipyards, and rented boats to Sovhispan for the development of its own activity⁷.

2.4. Arrival of the Soviet fleet: benefits for the local Canary Islands' economy

The signing of the Maritime Agreement between Spain and the USSR in 1967 and its extension in 1969 coincided with the First (1964-1967) and Second (1968-1971) Industrial Plans in Spain (Barciela López *et al.*, 2001; Tortella, 2000) as well as with attempts to industrialize the Canary Islands, aiming to alleviate a backwardness in economic growth.

Fishing activities traditionally played a very important role in the primary sector of the Spanish economy (3.5% of GDP in the 1970s) (Compán Vázquez, 1975-1976) and therefore, should have been supported by state policy within the framework of economic development and industrialization. Consequently, in 1961, the Central Government published a decree on the renewal and protection of the fishing fleet, stating that it was necessary to "ensure an adequate level in the consumption of fresh fish per inhabitant, and on the other hand, increase the amount that goes to industrialization, to improve the possibilities of our foreign trade and promote the plan of transforming the fleet through a concession of medium and long-term credits" (BOE, 1961).

The concept regarding the level of per capita fish consumption is remarkably similar to the desire of Soviet leaders to "increase the consumption of protein per capita" by Soviet citizens. However, the technical characteristics of the Soviet and Spanish fishing fleets varied significantly. According to the Lloyds Shipping register, the Spanish fishing fleet occupied the fourth place in the world ranking, conceding unconditional leadership to the Soviet Union, and then to Japan and the USA (Table 1).

Table 1

World Fishing Fleets by Tonnage 1980-1987, Vessels over 100 GRT*

State	1980	1981	1982	1983	1984	1985	1986	1987
USSR	6.509	6.407	6.500	6.607	6.328	6.483	6.847	6.830
Japan	1.107	1.102	1.092	1.096	1.090	1.080	1.080	1.052
USA	525	551	594	643	627	638	643	640
Spain	558	532	518	507	492	488	482	503
Korea	360	378	384	397	400	410	418	448
Poland	354	344	330	320	308	302	304	304
Norway	240	230	232	224	225	211	223	244
Romania	183	190	197	210	224	220	220	226
Canada	151	154	159	161	158	153	153	155
Others	2.682	2.767	2.814	2.866	2.954	3.000	3.004	3.095
Total	12.669	12.718	12.820	13.031	12.806	12.985	13.374	13.497

Source: Lloyds Registry of Shipping Statistical Tables, cit. in Crone Bilger (1990). *GRT: Gross Register Tonnage.

Within the national Spanish rankings, the Canary Islands' fleet secured the fourth position by importance and productivity (7.5%), leaving the top places to the Cantabrian (25.75%), the Northwest (35%) and South-Atlantic (18,81%) fleets (Compán Vázquez, 1975-1976). García Cabrera (1970) suggested that in 1970 the fishing fleet of the archipelago presented an "archaic and unprofitable" panorama, equipped with 2,280 vessels of

³ ANC., F.138, U.I.329, U.C.1069.

⁴ NA. FCO 9/433.

⁵ NA. DEFE 24/1306.

⁶ NA. FCO 9/1009.

⁷ ANC., F.138, U.I.12707, U.C.1061-1065.

42,000 total tonnage, being 80% of the average one of two tons per vessel, employed to ensure the supply of fresh fish. Historically, the Canary Islands' fishermen developed the most important fishing activities in the highly productive Canary-Sahara bank, which was questioned, consequently after the rise of national movements and military conflicts and the establishment of the exclusive economic zone claims of the 1970s.

Since the beginning of the 1970s, the port of La Luz y de Las Palmas, due to the arrival of foreign fishing fleets of great importance, namely Japanese, Korean, and especially Soviet, which gross registered tonnage (GRT) varied from 25% to 30% (Figure 2), became the port-leader of unloaded fish (Figure 3). The volumes of caught fish surpassed 350,000 tons, as was recorded in 1982 and 1986.

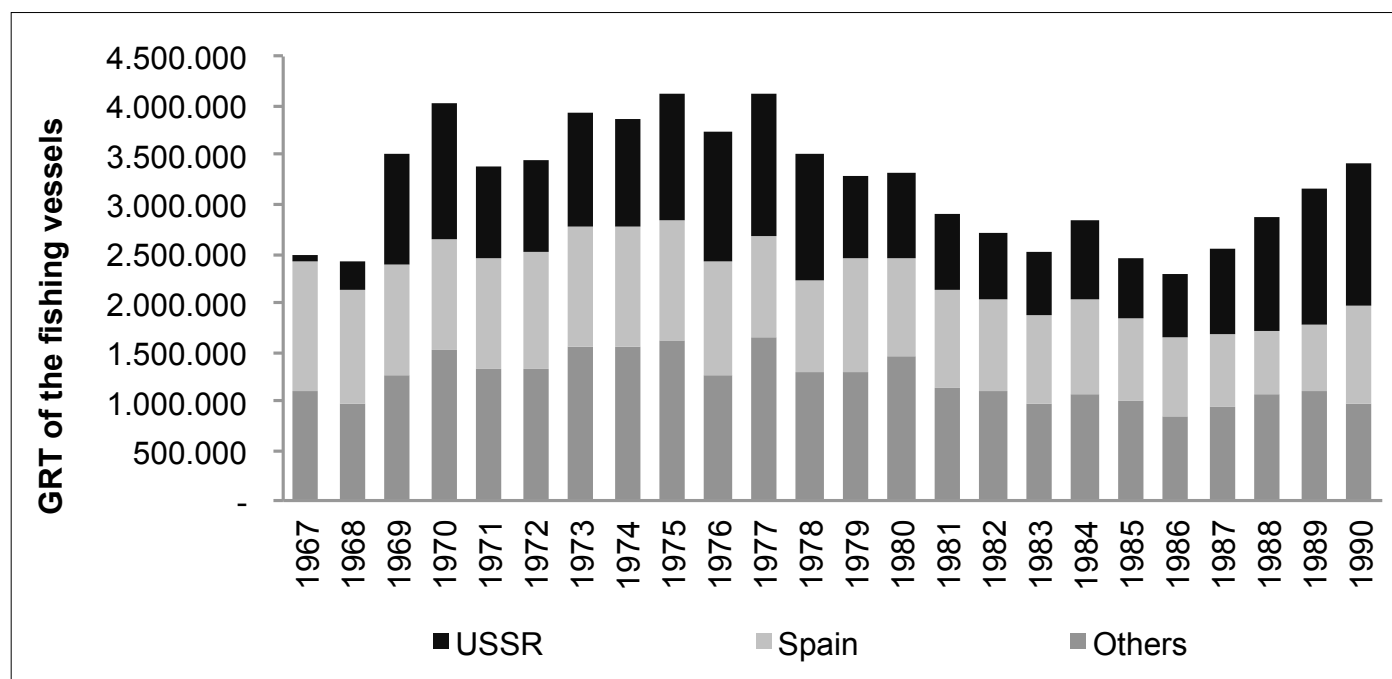


Figure 2. Main fishing vessels in La Luz y de Las Palmas Port, 1970-1990, absolute numbers.

Source: Own elaboration based on Ministerio de Obras Públicas y Urbanismo, Dirección General de Puertos y Costas, Puertos de Las Palmas, 1967-1990.

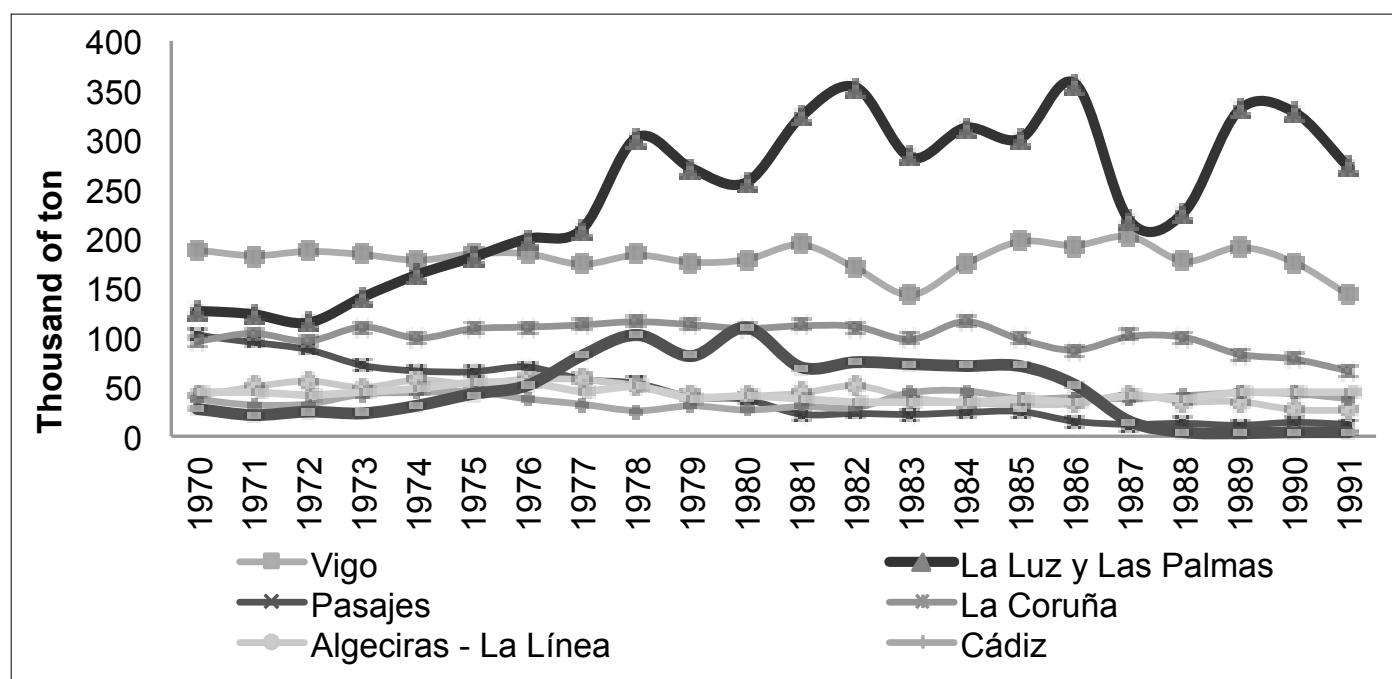


Figure 3. Unloaded fish in Spanish ports, 1970-1991.

Source: Own elaboration based on Ministerio de Obras Públicas y Urbanismo, Dirección General de Puertos y Costas, Memorias comunes de los puertos y costas, 1968-1991.

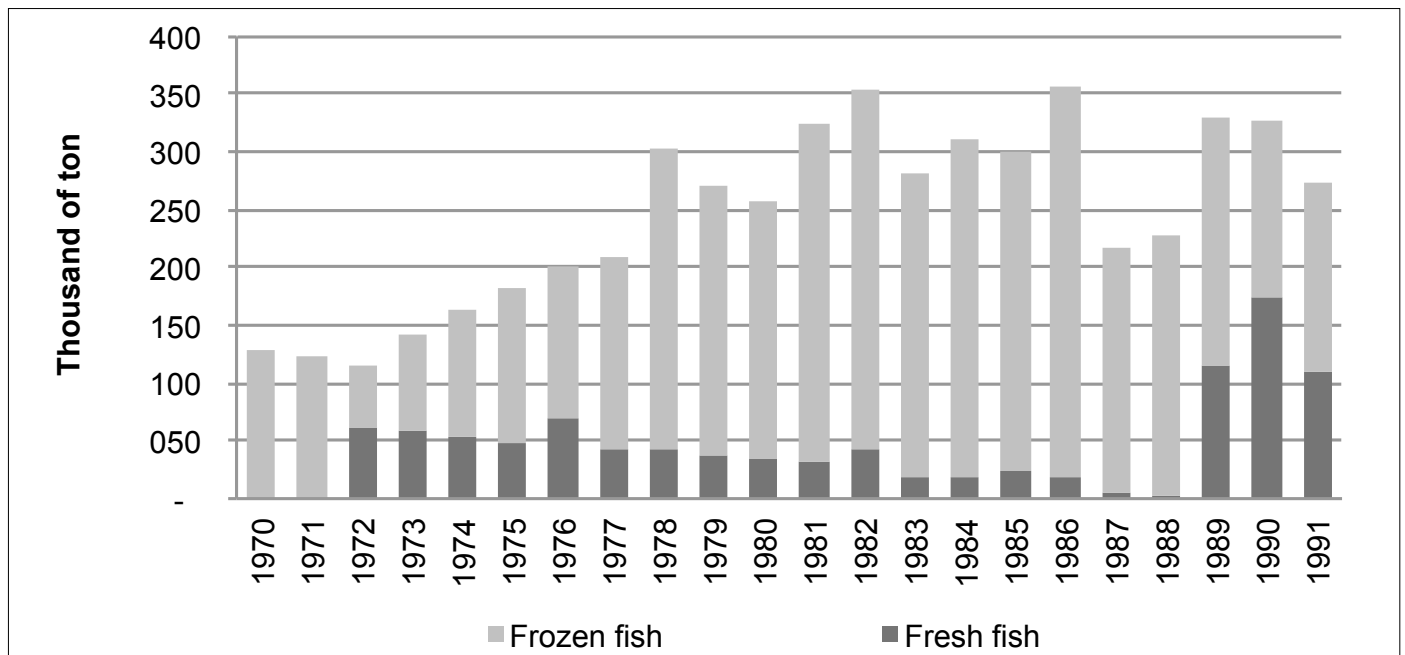


Figure 4. Unloaded fish in La Luz y de Las Palmas Port, 1970-1991*.

Source: Own elaboration based on Puertos del Estado. *No data regarding fresh and frozen fish for 1970-1971.

Frozen fish accounted for the majority of production, demonstrating absolute growth from the late 1970s to the beginning of the 1980s, whilst the share of fresh fish reduced gradually after the outbreak of the Western Sahara conflict in 1975 (Figure 4). The Canary Islands' traditional fisheries could hardly ever operate in such an economically affordable and efficient manner when competing with numerous, powerful Soviet vessels. Frozen fish was sold on both national and foreign markets, mainly to Africa, thus improving foreign trade accounts.

Strategic difficulties posed by the Canary Islands, such as geographical distance from national and European markets, the fragmentation of the Archipelago into seven islands, a lack of subsoil, natural and water resources, contributed to problems related to underdevelopment (Bergasa Perdomo and González Viéitez, 1969; Luxán Meléndez and Bergasa Perdomo, 2012). The Central Authority, for its part, established an institutional framework that softened the realities of the Canary Islands' remoteness through the improvement of transport, port infrastructure and tax revenues. In particular, the Economic and Fiscal Regime of the Canary Islands in 1972 (former Law of the Free Ports promulgated in 1852, the later Law of Reform of the Free Ports in 1900), adopted during the period of Second Francoism, contributed to the intensification of commerce between the mainland territory and the Islands, as well as the facilitation of national and foreign investment (Luxán Meléndez, 2002). Luxán Meléndez and Bergasa Perdomo (2012) stressed that "throughout the contemporary history of the Canary Islands, the industrializing ideology has been firmly presented [...] in order to reduce backwardness, although the Canary Islands' reality may be defined as a tertiary economy without prior industrialization".

In relation to industrialization, several investigations (Bobrowski, 1968; COMDECA⁸, 1973) were carried out regarding

the development of the industry and the strengthening of other ones. Hired experts paid special attention to fishing problems and associated activities – ship repairs and cold storage operations – taking into consideration that the ports of Las Palmas, Santa Cruz de Tenerife and Arrecife in 1969 would be Declared Areas of Preferential Industrial Location (BOE, 1969).

The relevant step of the Institute of the National Industry's (Comín, 2000) contribution towards the regional development of the Canary Islands was the foundation of the Canary Shipyards (Asticán)⁹ in 1972 in the port of Luz y de Las Palmas, and the naval repair company of Tenerife (Diatlansa) in 1978, a response to the objective needs of the late 1960s. The Soviet large tonnage fleet, as well as other non-national overseas fleets, became the main customers of Asticán, especially in the 1980s. In the years following, foreign companies accounted for a crucial share of the company's total revenues (Jiménez González, 2003): "[...] the growth of the percentage of foreign ships repaired in their facilities continued in such a way that foreign invoicing reported in 1978, 74% of the total turnover for naval repair, highlighted by flags, to be Soviet, Japanese, Cuban and Korean fleets, with a clear tendency in growth of the first one" (Asticán, 1978). It can be argued that the Soviet presence in the Canary Islands coincided with, or even propelled, Spanish legal and practical attitudes aimed at modernizing the local economy.

participating entities: la Caja Insular de Ahorros (20%); Acueductos Canarios, Acasa (45%); Constructor Insular, Coinsa (30%), and, finally, Promociones Turísticas Canarias, Protucasa, (5%). The main objective of the Company was the channeling of financing for the Canary Islands' industrial companies and the proportion of all types of advice. See: Caja Insular de Ahorros de Gran Canaria, 1973.

⁹ The capital stock of Asticán was set at 500 million pesetas, represented by the National Institute of Industry (50%), the Caja Insular de Ahorros (20%) and the COMDECA (30%). See: Jiménez González (2003).

⁸ The COMDECA, was established in 1972, by the agreement of the Board of Directors of the Caja Insular de Ahorros on February 29, 1972, with the

3. The Sovhispan joint venture, 1971-1991

3.1. The development and expansion of the enterprise under the Soviet rule, 1971-1981

Sovhispan developed economic activity in the harbours of both islands, in Santa Cruz de Tenerife and in Las Palmas de Gran Canaria. The General Direction controlled Tenerife, Las Palmas and Moscow, coordinating the financial, administrative and commercial activity of the entity. Managers from Tenerife and Las Palmas provided assistance to the Soviet merchant and fishing fleet, including agency and consignee services, provision and repair. In addition, the managerial authorities of Tenerife were responsible for supplies and sales to Soviet governmental agencies in Angola, Guinea Bissau, Equatorial Guinea and Sierra Leone. Furthermore, Estrela do Mar, the joint venture of Sovrybflot, founded in 1975 in Guinea Bissau, and Soviemex venture, created by Sovhispan in 1976 in Spain, collaborated with Sovhispan in supplying commodities to those countries¹⁰.

The Commercial Direction controlled both the sales of goods related to fishing assignments and the exports of Soviet-captured and frozen fish to Western African, European and other countries. It was also responsible for directing fishing activities in the territorial waters of Western African countries such as Ghana, Nigeria, Cameroon, Gabon, Togo, and Benin, as well as to Canada, Argentina, Great Britain and Ireland¹¹.

Sovhispan's economic activity was directly related to the number of calls performed by Soviet vessels in both Canary Islands' ports (Figure 2), where Sovrybflot planned the bunkering of Soviet ships, as this secured the benefits of its joint venture (Figure 5). Two periods can generally describe the operations of Sovhispan.

Table 2

Soviet officers in Sovhispan and in Sovrybflot, 1971-1991

Surnames and names	Period and position in Sovrybflot	Period and charge in Sovhispan
Laks, K.Y.	1965-1967, Director	—
Babaev, Armenak Semiónovich	1967-1974, Director	1971-1975, Vice President
Zenkin, Vladímir Ilich	1975-1977, Director	1976-1978, President
Mámotov, V.S.	1977, Vice Director	—
Abrámov, E.V.	1978, Vice Director	—
Kidánov, Valentín V.	1978-1979	1979-1981, Vice President
Zhigálov, Gueórguiy Vladímirovich	1980-1987	12/03/1980-19/06/1991, Chief Executive Officer*
Turchin, Anatóliy Konstantínovich	1990, General Director	N/d
Syomin, I.F.	1991, General Director	N/d

Source: Own elaboration based on the documents of RGAE, F. 8202, Sovrybflot's annual reports 1965-1991; RMT, Registrations 1-103. *Since the intervention of Focoex in 1981 the position of Soviet Vice President was suppressed.

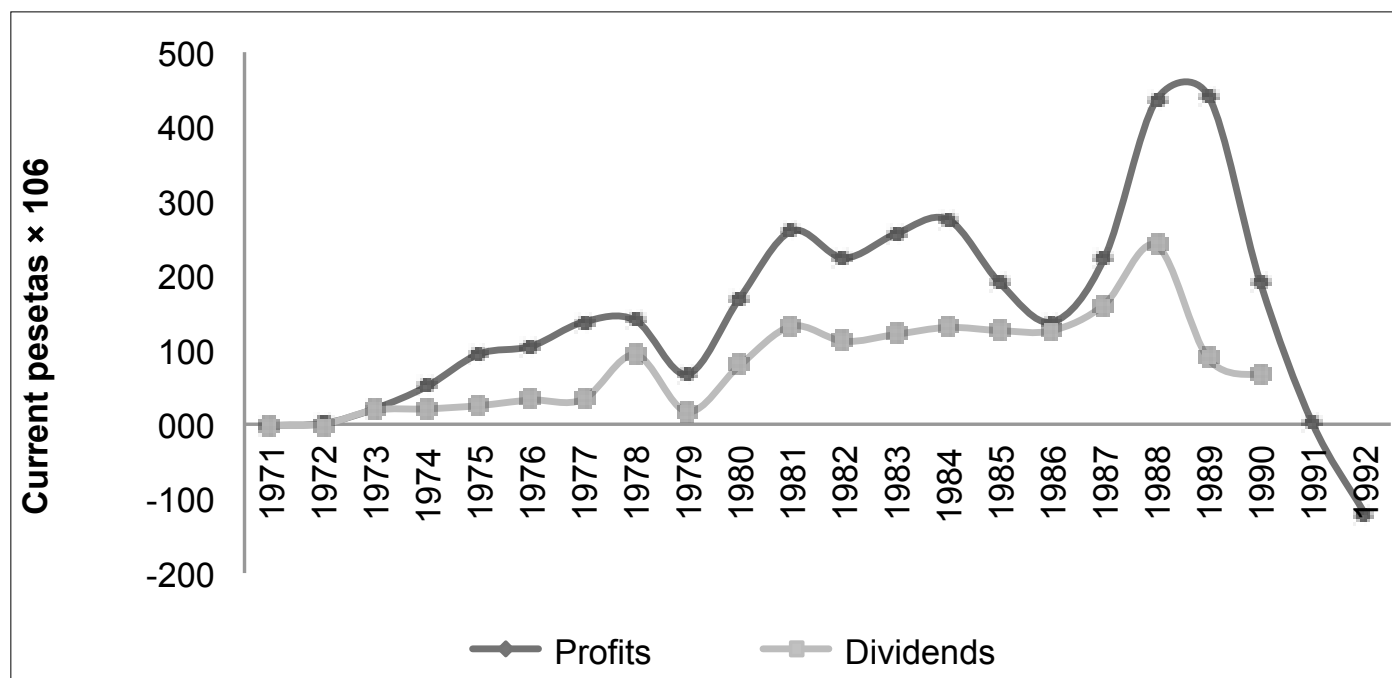


Figure 5. Profits and dividends of Sovhispan, 1971-1992.

Source: Elaboration based on the documents of ANC., F. 138., U.I.12707; U.C. 1061-65; Focoex. Informe anual 1990, 38; Suplemento del BOE, 129.

¹⁰ ANC., F.138, U.I.332., U.C.1094. U.C.1090.

¹¹ ANC., F.138, U.I.1409, U.C.12725; U.I.1406, U.C.12712.

During the first decade of its operations (1971-1981), the general policy of the joint venture was directed by the Soviet Union, being Sovrybflot the largest shareholder. Moreover, some Soviet directors of Sovrybflot, such as Babáev, Zenkin, Kidánov and Zhigálov combined their position with the high ranks in Sovhispan (Table 2).

Under the Soviet management, emphasis was made on “providing services to Soviet vessels and earning what was fair to cover expenses instead of looking for high profits”. A high volume of investments was thus directed towards fixed capital assets and scarce distribution of dividends (Figure 5). From 1971 to 1972, a building was constructed in Tinglado Muelle de Ribera at the port of La Luz y de Las Palmas. In October 1975, Sovhispan opened its offices in Moscow and Madrid (under the framework of the Trade Agreement of 1972). Furthermore, a processing plant for fish fillets in Santa Cruz de Tenerife was launched in 1975, in line with the Soviet policy of establishing industrial complexes within joint ventures. It was closed in 1978 due to continued losses despite protests by the Soviet partners. In 1975, Sovhispan acquired a plot in Santa Cruz de Tenerife, and in 1977 it constructed a residential center that is currently called the Sovhispan Building¹².

In May 1977, after the restoration of diplomatic relations between Spain and the USSR, a general board meeting of Sovhispan took place in Moscow. There, the Soviet Minister of Fisheries underlined the contribution of Sovhispan to the success of fishing activities in the South Atlantic and encouraged “the following of a path of perfect planning” with regards to supplies and increasing operations, which would result in additional deliveries of fish. The head of the Ministry of Fisheries also voiced support for investment in the dam and the filleting plant in Tenerife as well as the need for greater coordination between Sovhispan and other Soviet joint ventures. It was stressed that the objective of the Ministry was not to make money with Sovhispan, but to give it the best opportunity to achieve economic solidity and stability¹³.

Since 1975, Sovhispan started its own network of sub-joint ventures oriented towards the development of Spanish Fisheries (Pesconsa), the Spanish-Soviet trade (Iberles, Soviemex and Maderas Rusas), and finally, the promotion of fishing operations in West African coastal waters around Togo, Benin and Cameroon (Sopetogo, Sopecib and Cafishtraco, respectively). This expansion of Spanish-Soviet capital, represented by Sovhispan, coincided with (or was the result of) the international propagation of the parent company Sovrybflot (Yányshev Nésterova, 2016a, p.12).

The expansionist policy of creating interconnected joint ventures ended in 1981 in compliance with the Royal Decree 2619/1978, which regulated foreign investment in Spain (Álvarez Pastor and Eguidazu Palacios, 2002). The conditions of the Cold War, the existence of the USA military bases in the Azores (Andrade, 2002) and the drifting of Spain towards NATO membership (Lleonart Amsélem, 1995), pushed the Soviet Union to organize an intelligence network in Spain generally, and in the Canary Islands particularly (Centenera Ulecia, 2007). Another

breakup of Spanish-Soviet diplomatic relations, however, did not occur, as it had, for example, in 1927 between Great Britain and the young Soviet state (Flory, 1977; University of Warwick, 1927). Notwithstanding, in response, the Spanish government demonstrated no loyalty towards Sovhispan, as Spanish authorities expelled Soviet directors of the Spanish-Soviet joint ventures, including Yuriy Bychkov, director of Sovhispan in Tenerife (ABC, 1981). In addition, the Spanish authorities forced the Vapores Suardiaz Company to sell its shares to the state-owned enterprise Focoex (Fomento de Comercio Exterior or Promotion of Foreign Trade) in 1981 (Yányshev Nésterova, 2016a, p. 8). From that point forward, the participation of Soviet employees in the enterprise was reduced, and the General Director as well as the directors of Tenerife and Gran Canaria would be of Spanish nationality (Table 2), even overseas transactions of the joint venture had to be authorized by the Spanish government (Yányshev Nésterova, 2016a).

3.2. *The Spanish direction and dissolution of Sovhispan, 1981-1991*

The second decade of the general policy of Sovhispan (1981-1991) was led by the Spanish side, which was more interested in high profits and the distribution of dividends to shareholders (Figure 5). With the intervention of Focoex, the Spanish state enterprise devoted to international trade, the profits of Sovhispan increased substantially, surpassing 200 million pesetas in 1980. Nevertheless, the reduction of benefits to 125,8 million in 1985-1986 came about as a result of a decline in commercial activities, depletion of African fishing grounds and adverse outcomes of fishing operations in the United Kingdom (Focoex, 1985-1986). In 1989, profits of Sovhispan reached their maximum of 441 million pesetas (approximately 3,7 million US dollars) (Figure 5)¹⁴. The high dividends awarded to shareholders in the late 1980s were likely somewhat possible due to the treaty of Sovhispan (backed by Sovrybflot as usual) and the Argentinian company Bajamar under the fishery agreement, signed between the USSR and Argentina in 1986¹⁵. In that case, the Spanish government implemented no restrictions towards the joint ventures “Unión Transitoria de Empresas” and “Joint Venture” created with Argentinian participation, due to the entry of Spain into the European Union, the liberalization of financial legislation and likely the receipt of high profits amassed from activities (Álvarez Pastor and Eguidazu Palacios, 2002).

The sharp reduction of the benefits of Sovhispan since 1990 and the appropriate losses in 1992 was closely related to changes in Sovrybflot in the framework of the market’s introduction in the Soviet Union (Figure 5). The breaking up of the country put end to the existence of the powerful Soviet fishing fleet, substituted by the national fleets of the new sovereign states. The decline of Sovrybflot, a public enterprise that enjoyed a monopoly in the Soviet Union’s external fishing activity, should be examined in the common context of *perestroika*, which brought changes in the planned economy by implementing market elements: the suppression of the state monopoly on foreign trade in 1987 and greater economic freedom

¹² The Sovhispan building or Anaga building was a residential center, which apartments served for Soviet employees and others for rental services. Avenue Anaga, s/n, Santa Cruz de Tenerife, 38001, 28°28'45"N16°14'38"W.

¹³ ANC., F.138, U.I.12707, U.C.1061-1065. Actes de sessions del Consell d'Administració, 03/07/1971-18/06/1989.

¹⁴ The exchange of the Spanish peseta – US dollar in 1989 was 118,53 Pts/US dollar. See: Carreras and Tafunell (2005).

¹⁵ ANC., F.138, U.I.1412, U.C.12738.

of enterprises (Yányshev Nésterova, 2016b). Moreover, the liberalization of the Soviet market approved laws regulating foreign capital's attraction and the foundation of joint ventures in the USSR (Albin, 1989).

Beginning in 1989, the Ministry of Fisheries adapted to government resolutions regarding decentralization, greater direct participation of enterprises in foreign commerce and the need to reduce the exclusivity of Sovrybflot in international eco-

nomical activities. The public enterprises ("proizvodstvenniye ob'edineniya"), which formed Sovrybflot, thus converted into main economic associations. Table 3 details the newly created joint ventures on Soviet soil, where the equity position of Sovrybflot diminished considerably. Particularly of note is the joint venture Lenespan, founded by Lenrybprom (51%), Megasa (39%) and Sovhispan (10%), as Soviet-Spanish joint capital returned to the Soviet Union.

Table 3

Joint ventures and modified fisheries treaties of Sovrybflot in the framework of *perestroika*, 1987-1991

Date	Joint Venture	Soviet Investors	Foreign Investors
December 1987	Marine Resources	Sovrybflot (5%) Primorrybprom (23%) Sajalinrybprom (23%)	Scarus (Soviet-Swedish joint venture, 1979), Sweden (49%)
December 1987	Fisheries Treaty with Mauritania	Sovrybflot Zapryba	Mavsov (Soviet-Mauritanian joint venture, 1980)
January 1989	Fisheries Treaty with Sao Tome and Principe	Zapryba, Kaliningradrybprom	Sao Tome and Principe
January 1989	Okhotsk-Suysan	Khabarovskrybprom (41%) Sovrybflot (10%)	Nippon Suysan or Nissuy (40%) Mitsui (9%), Japan
January 1989	Fisheries Treaty with Sierra-Leone	Zapryba, Litrybprom, Kaliningradrybprom, Sovrybflot	Sierra-Leone, Fransov (Soviet-French joint venture, 1975), Sierra-Fishing
February 1989	Universovetsk	Kerchrybprom (51%)	Universal, Yugoslavia (49%)
February 1989	Thaisov Marine Company LTD	Dalryba (40%), Sovrybflot (6%)	Thai Union (20%), IBU (20%), AVI (14%), Thailand
February 1989	Kamchatka Pacific Co	Koljoz Lenin's name (51%)	MRCI or Marine Resources, (Soviet-US joint venture, 1976), 49%
March 1989	Katran	Kerchrybprom (52%)	Fishing Entity, Bulgaria (48%)
May 1989	Latkompexim	Zapryba (15%), Latrybprom (15%), Sovrybflot (10%), Ministry of Commerce of Latvia (10%), Fishing Koljoz of Latvia (10%), Agricultural Bank of Latvia (5%)	Kompexim, Switzerland (35%)
May 1989	Nord West	Trawler fleet of Murmansk (50%)	Socop, West Berlin (50%)
May 1989	Sovmed Rifer Service	Zapryba (35%), Direction of refrigerated and transport fleet of Kaliningrad (10%)	Fransov (5%), Atlantik Rifer Service, Liberia (50%)
May 1989	Sokomar Nigeria Limited	Sovrybflot (50%)	Constant Trading International Limited (50%)
September 1989	Magadan Guioguio Godo	Magadanrybprom (51%)	Khokuio Kiodo Guioguio (49%), Japan
January 1990	Marissco	Sovrybflot (20%), Dalryba (20%), Yugryba (10%)	Foreign investors (50%)
March 1990	OPMS	Latrybprom (45%), Latvia, Sovrybflot (5%)	Somecia, Morocco (50%)
March 1990	Cansov	Murmantralfлот (15%), Sevrybkhodflot (15%), Sevryba (5%), Sevrybsbit (5%)	Foreign investors (60%)
March-April 1990	Fransov	Sovrybflot (67%)	Scoa (33%)
January 1991	Lenespan	Lenrybprom (51%)	Megasa (39%), Sovhispan (10%)

Source: Own elaboration based on the documents of RGAE, F.8202, I. 23, FL550, 1453, 1454, 14155, 1458, 1459, 1462, 1993. Ustavy sovmetstnikh sovetskoinostrannikh predpriyatii [Statutes of the Soviet-foreign joint ventures].

In 1990, the process of privatization was initiated in the Russian Soviet Federative Republic (Scott Leonard and Pitt-Watson, 2013). Kravanja and Shapiro (1993) underlined that information concerning the privatization process in Russia was limited, suggesting that most of the officials that previously ran state-owned corporations later gained management control of new associations. Information about shareholders of Sovrybflot is not available, but it is known that more than 70 enterprises in the Russian Federation became new stakeholders, including some firms of the Baltic States (Kravanja and Shapiro, 1993). The ordinances of October 1990 and July 1991 of the last Minister of Fisheries Nikolay Kotliar suppressed Sovrybflot as a public enterprise and announced the foundation of VAO Sovrybflot (Vneshneekonomícheskoye Akt-sionérnoye Óbschestvo Sovméstniy Rybolóvniy Flot) or “Anonymous Society of External Activity of the Joint Fishing Fleet” (Lépina, 1998).

The process of dismantling the economic, political and social system was accelerated by the disintegration of the USSR entirely in late 1991 (Lavigne, 1999). Sovrybflot lost the territorial units of West Fish (Riga) and South Fish (Sevastopol), situated in Latvia and Ukraine, respectively. Moreover, it suffered the division of the fleet and of its infrastructure between the newly independent states of Latvia, Lithuania, Estonia, the Russian Federation, Ukraine and Georgia (Kravanja and Shapiro, 1993; Ushakova, 2006). Consequently, one of the most powerful enterprises of the former USSR thus slipped into sudden bankruptcy (Yedinyy federal’nyy reyestr).

The process of internal change within the USSR had an immediate counterpart in terms of external enterprise activity. The arrival of Soviet ships to the Canary Islands experienced a downward trend over the final four years: 1,754 scales in 1988, 1,711 in 1989, 1,544 in 1990 and, finally, 1,014 in 1991 (Figure 2). At the same time, Soviet counsellors at a Board meeting of the joint venture explained the direct consequences for Sovhispan posed by the implementation of the free market in the USSR: “The shipowners are permitted to make purchases where they wish [...] Sovhispan should sign contracts with them directly, purposing not to lose its clientele as ‘ship chandler’ in Gran Canaria and Tenerife [...] Sovrybflot is in the process of transforming into a joint-stock company, where ship owners would become shareholders, leaving the Ministry of Fisheries as a minority stakeholder [...]”¹⁶.

Although the Soviet side of Sovhispan passed from state hands to private shareholders, the Spanish public party consolidated its equity holdings. The Direction of Focoex, encouraged by the highest-ever dividends of Sovhispan in 1989 (441 million pesetas), the promising situation of the transition and the openness of the markets in the Soviet Union, acquired 7% of the shares of the proper Compañía General de Tabacos de Filipinas, and furthermore enlarged its percentage to 16% of the shares of Sovhispan in 1990 (Focoex, 1990). When Focoex proceeded to purchase the remaining 9% of Sovhispan shares in April 1991, the immediate consequence was that public Spanish company Focoex controlled 50% of the shares of Sovhispan, and the President of Focoex became ultimately responsible for the fate of the joint venture (Suplemento del BOE, 1992). Spanish public intervention could be viewed as a

failed strategy as it overestimated the opportunities of market liberalization in the Soviet Union and underestimated the political and economic circumstances of the country while undergoing profound changes. On 31 December 1992, Sovhispan was found to have lost 120 million pesetas (Figure 5)¹⁷.

4. Conclusions

Five interrelated ideas converge in our research. In the first place, in the general balance of the Cold War, Spain, by aligning itself since the 1950s with the United States, could remain “neutral” until its entry into NATO in 1982, which did not mean that in that period no economic relations were established with the socialist bloc and the USSR. Precisely, the location of Sovhispan in the Canary Islands offered a basis of fruitful economic collaboration, alien, however, to military purposes. The Canary Islands from 1967 to 1977 became one of the main scenarios of *business diplomacy* between Spain and the USSR and of solid commercial contacts, which opened the way to the restoration of relations at the political level.

Second, the article demonstrates the close relationship between the course of Spanish-Soviet relations and Sovhispan. The company, created in 1971, one year before the signing of the 1972 Commercial Treaty, began to provide services to Soviet fishing vessels that entered the Canary Islands ports since 1967, backed by the Maritime Treaty, signed between the two countries. In this way, the diplomatic recognition between Spain and the USSR until the death of Franco and the beginning of transition in Spain was raffled off on the one hand, but permitted some collaboration on the other hand. The next important aspect to highlight was the entry of Spain into NATO, and the consequent actions of the Soviet intelligence that had a direct impact on the company, since despite the fact that the principle shareholder was Sovrybflot, the management of Sovhispan thus remained concentrated in the Spanish parastatal society Focoex. Finally, the dissolution of the USSR and the dismantling of its fleet among the sovereign states, the destruction of Sovrybflot through the suppression of the state monopoly, left no other scenario for Sovhispan than its inevitable economic failure.

Third, the research highlights two periods in the direction of Sovhispan: the Soviet period, lasted from 1971 to 1981, which was oriented to the creation of fixed assets, minimum profit making and scarce distribution of dividends. In addition, the expansion of Spanish-Soviet capital to the fishing sector of African countries occurred in that decade. Meanwhile *de jure*, the Spanish side took control over the company since 1981, nevertheless *de facto* the industrial pillar and the success of the operations continued to depend on the Soviet production capacity, revived with the signing of the Fisheries Agreement between the USSR and Argentina in 1986. During the Spanish management, headed by Focoex, the distribution of dividends increased significantly, while the dissolution of the USSR was considered as a great opportunity for the expansion of business. Despite the acquisition of 50% of the shares by Focoex, the simultaneous privatization of the state company Sovryflot could not save Sovhispan from ruin.

¹⁶ ANC., F.138, U.I.12707, U.C.1061-1065. Actes de sessions del Consell d'Administració (03/07/1971-18/06/1989).

¹⁷ There is a lack of direct documentation related to the termination of economic activity by Sovhispan.

Fourth, both Spain and the Soviet Union were not technological leaders and two countries suffered, in the words of Alexander Gerschenkron, “a relative economic backwardness”, due to the late industrialization, which, in turn, should be implemented from “above” or by the government. If in the case of the Soviet Union, planning was the pillar of society, Spain practiced indirect planning through the Development Plans. Through Sovhispan, both countries, included in the “third industrialization speed” found the points of transfer of technological innovation: provision of services of supply and repairs of the Soviet fleet, which, at that time, was considered the most powerful of the world. The arrival of the Soviet ships and the foundation of Sovhispan coincided with the industrialization plans of the Canary Islands’ Archipelago. The direct benefits for the local economy were the intensification of maritime traffic, the increase of the benefits of the Canary shipyards Asticán and the leadership of the port of La Luz y de Las Palmas in the unloaded fish.

Fifth, the institutional economics produces proportionate responses to the economic and social challenges that appear. The wave of privatization, taking place in the framework of monetary policy, which emerged in the 1980s as a response to stagflation, led to the reduction of state regulation in the world, dragging Spain to the European market and the Soviet Union into the tornado of “wild capitalism”. Consequently, the Sovhispan joint venture, conceived with 50% of Soviet capital, could not exist without the support of the powerful state-owned company Sovrybflot, both of which remained at the mercy of the market and therefore disappeared.

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