

Effects of the Great Economic Crisis (1929–1934) on Foreign Pharmaceutical Companies in Latvia

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Introduction. The global economic crisis that began in the autumn of 1929 reached Latvia late in 1930. Foreign pharmaceutical companies in Latvia were largely affected by restrictions on currency flows and limits on imports.

Aim. The aim of the research was to study the influence of the economic crisis (1929–1934) on the foreign pharmaceutical companies in Latvia

Material and Methods. The historically descriptive method has been used in the research. The sources of the study include historical correspondences and contracts between the company Roche headquarter in Basel (Switzerland) and its Riga branch; Roche historical collection and the archive in Basel, as well as the Latvian State Historical Archive.

Results and Conclusions. On October 8, 1931, the government of Latvia issued limits on currency operations for protectionist reasons, regulating all foreign currency operations and establishing a new Currency Commission to oversee the restrictions. Judging from materials related to the Riga branch of Hoffmann-La Roche between 1921 and 1940 that are stored in the Latvian State Historical Archive, the restrictions did not have much of an effect on the work of the branch, at least at first. Correspondence with the Finance Ministry's Currency Commission only began in 1933, mostly related to permits to repay funds to the parent company in Basel in relation to medications and chemicals that had been imported to Latvia. Far greater difficulties began toward the end of the crisis, when a 1927 trade agreement between Latvia and Russia expired. As was the case with other new democracies, a coup was staged in Latvia on May 15, 1934, to introduce an authoritarian regime. The new regime had a major effect on the country's economy. The Parliament had been closed, and parliamentary functions related to controls over the economy were, for a certain period of time, handled by the government-inspired sectorial chambers. On June 8, 1934, the government issued a new law on currencies and foreign trade to replace previous rules and explanatory regulations. The aim was to even out the trade and payment balances which fundamentally affected trade operations. Limits (albeit contingent ones) were set on all imported goods, strictly linking payments for imports in various currencies to exports from Latvia. Later the Finance Ministry introduced additional terms, regulations and rules. Only those retailers and companies that had received a fee-based permit (license) to engage in imports for one year were allowed to import products from abroad. There were also more precise rules about representatives of foreign companies, with the government demanding proof of the relevant company's registration and its previous important transactions. Every retailer had to file documents with the Currency Commission. Documents from the Roche branch in Latvia offer a detailed look at the situation of foreign pharmaceutical firms in Latvia during and after the crisis. The documents show that a 1924 trade convention between Latvia and Switzerland was cancelled during the crisis. It had offered most favourable terms for the transfer of goods between the two countries, also speaking to the role of diplomats in regulating the process. New and unspecific business functions related to the so-called compensation agreements had to be undertaken by the branch in Latvia and the parent company in Basel, and the documents speak to how this was done in practical terms. The archives also illustrate the effects of the crisis and the authoritarian regime on the country's economic laws and foreign policy, also focusing on how this affected retailers and manufacturers.