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Spain's Multinationals: the Dynamic Part of an Ailing Economy (WP)

William Chislett

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Elcano Royal Institute
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Contents

(1) Summary

Spain's outward direct investment continues to rise. At the end of 2010, it stood at US$660.1 billion, higher than Italy's and Germany's in GDP terms. More than 20 companies have attained leading positions in their respective fields in the global market. Meanwhile, exports have become the engine of economic growth. While the US, the UK, Germany, France and Italy have lost global market share to varying degrees over the last decade, mainly to China and other emerging countries, Spain's share of world merchandise exports has remained virtually unchanged. The challenge for Spain is to keep up this performance.

* *Former correspondent of The Times in Madrid (1975-78) and the Financial Times in Mexico (1978-84) and author of three books on Spain for the Elcano Royal Institute.*

(2) Background[1]

Spanish companies began to invest abroad in the 1960s, but it was not until the country joined the European Community in 1986 and adopted the euro as its currency in 1999, which enabled companies to raise funds for their acquisitions at rates unimaginable just a few years back, that outward investment took off. EU membership changed the strategic focus of corporate Spain from one of defending the relatively mature home market –much more open to other EU countries– to aggressively expanding abroad. The liberalisation of the domestic market as European single market directives began to unfold made the big Spanish companies, especially the state-run companies in oligopolistic sectors such as telecommunications (Telefónica), oil and natural gas (Repsol and Gas Natural) and electricity (Endesa)[2] –all of which were to be privatised and become cash rich– and the big private-sector banks, Santander and BBVA, conscious of the need to reposition themselves in the more competitive environment. The tougher environment was underscored by an inward FDI boom in the first years after EU entry when hardly a week passed without an acquisition and it seemed that Spain was up for sale.

The strategic response to the threat of acquisition was to become bigger and go on the offensive. Liberalisation at home gave Spanish companies the opportunity to do this. And they seized it. Outward investment surged from an annual average of US$2.3 billion in 1985-95 to US$21.7 billion in 1995-2004 and US$40 billion in 2005-07 (see Appendix A). In 1999 the stock of outward investment almost reached the level of inward investment and that same year Spain overtook the average developed country in the world in terms of its cumulative investments abroad.

Latin America was a natural first choice for Spanish companies wishing to invest abroad in a significant way. Between 1993 and 2000, during the first phase of significant investment abroad, Telefónica, Santander and BBVA, the oil and natural gas conglomerate Repsol, Gas Natural, the power companies Endesa, Iberdrola and Unión Fenosa and some construction and infrastructure companies invested in the region. Latin America accounted for 61% of total net investment during this period –which averaged €13.1 billion a year excluding the Special Purpose Entities (ETVEs) whose sole purpose is to hold foreign equity–, compared with 22.5% by the EU-15 and 9% by the US and Canada. Only the US, whose economy is 12 times larger than Spain's and in whose backyard Latin America lies, invested more. During the second phase of investment, between 2001 and 2006, when total net investment averaged €26.8 billion a year, Latin America's share was 16%, the EU-15's 67% and the US and Canada's 6.4%.

[1] I would like to thank the following for helping me prepare this paper: José Antonio Herce and María Romero Paniagua of Analistas Financieros Internacionales (Afi); Nuria Lafuente de Mier, of BBVA; Ana María Rivera Pérez, of the Madrid Stock Exchange; José Juan Ruíz, Chief Economist of Grupo Santander's Americas division; Carlos Solchaga, former Finance Minister (1985-93) and Director-Partner of Solchaga Recio; and José Luis del Valle, advisor to the Chairman of Gamesa.

[2] Endesa has been more than 90% owned by Italy's Enel since 2009.

As well as the companies' own push factors, there were several pull factors. Two of them were purely economic: liberalisation and privatisation opened up sectors of the Latin American economy that were hitherto off limits, and there is an ongoing need for capital to develop the region's generally poor infrastructure. Two are cultural: the first is the common language and the ease, therefore, with which management styles can be transferred. Another attraction is the sheer size of the Latin American market and its degree of underdevelopment. The macroeconomic fundamentals of Latin America as a whole and some countries in particular, such as Mexico and Brazil, had also become sounder as a result of major reforms, making the region a less risky place to invest. Mexico, Chile and Brazil have achieved investment-grade status, which means the risk of debt default is minimal and institutional investors are less hesitant about investing in their financial markets. Lastly, democracy has been gradually taking root in an increasing number of countries.

The initial move into Latin America was, as Mauro Guillén has pointed out, the 'path of least resistance' for Spanish companies facing deregulation and take-over threats on their home ground.[3] Spanish executives were ideally suited to handling new businesses in Latin America as they had gained a lot of experience of how to compete in industries under deregulation in their own country. By the early 2000s, Spanish companies had become among the largest operators in telecommunications, electricity, water and financial services throughout Latin America and the region a major contributor to the bottom line of a significant number of Spanish companies and banks.

While the 1980s were a 'lost decade' for Latin America, as countries struggled with foreign debt crises, the first decade of the 21st century has seen the continuation of a profound transformation that began in the 1990s and is benefiting Spanish investments in the region.

The shift away from Latin America as of the early 2000s, after Argentina's financial meltdown, which hit Spanish banks and companies there but hardly affected the Spanish economy as whole, and into Europe, particularly the UK, and the US and Asia, to a lesser extent, was marked by several emblematic investments: Santander's €12.5 billion purchase of the UK bank Abbey in 2004, the acquisition by Banco Bilbao Vizcaya Argentaria (BBVA) of two small banks in California and Texas and Telefónica's purchase in 2005 of a stake in China Netcom and in 2006 its €26 billion acquisition of the O_2 mobile telephony operator in the UK, Germany and Ireland.

In 2010, Spain accounted for just 4% of foreign direct investment in Latin America compared with 17% by the US, 13% by the Netherlands and 9% by China.

[3] See his *The Rise of Spanish Multinationals*, Cambridge University Press, 2005.

Today, there is a striking number of Spanish companies that have diversified into foreign markets, thanks to which they have withstood relatively well the sharp downturn in their home economy since 2008. This is particularly true of the big Spanish companies in the Ibex 35 stock exchange index, more than half of whose revenues in the first six months of 2011 were generated abroad (see Figure 1). Several listed companies make more than two-thirds of their sales and profits abroad and in the case of Gamesa, which makes wind turbines, more than 90%. With their home economy in a bad shape, Spanish chief executives 'go to great lengths these days to emphasise how un-Spanish their companies are when presenting their results to international investors'.[4]

Spain, along with South Korea and Taiwan, has produced the largest number of truly global multinationals among the countries that in the 1960s had not yet developed a solid industrial base. There is also a host of small and successful 'pocket-sized' multinationals.

Figure 1. Domestic and International Revenues of Ibex 35 Companies, First Half 2011 (% of total)

Company	Sector	International	Domestic
Abertis	Motorways	55.08	44.92
Acciona	Construction	32.82	67.18
Acerinox	Metals	90.22	9.78
Banco Sabadell	Banking	4.60	95.40
ACS	Construction and services	52.50	47.50
Banco Santander	Banking	80.56	19.44
Bankinter	Banking	0.92	99.08
BBVA	Banking	57.97	42.03
Ebro Foods	Food	92.18	7.82
Enagás	Electricity	100.00	0.00
Endesa	Electricity	35.02	64.98
FCC	Construction	49.50	50.50
Ferrovial	Construction	65.56	34.44
Gamesa	Windturbines	91.11	8.89
Gas Natural	Gas	39.28	60.72
Grifols	Pharmaceuticals	80.48	19.52
Iberdrola	Electricity	51.79	48.21
Indra	Electronics	39.21	60.79
Mapfre	Insurance	50.18	49.82
OHL	Construction	70.21	29.79
Red Eléctrica	Electricity	2.70	97.30
Repsol	Oil	52.95	47.05
Sacyr-Vallehermoso	Construction	36.58	63.42
Telefónica	Telecoms	71.72	28.28
Total		59.35	40.65

Source: *El País* based on figures from the National Securities Market Commission.

A significant number of these companies have attained leading positions in their fields (see Figure 2). The two largest banks, Santander and BBVA, are among the world's top 50 financial transnational corporations (TNCs), with 407 and 142 foreign affiliates

[4] See Victor Mallet, 'Profits Trump Patriotism in Spanish Boardrooms', *Financial Times*, 5/VIII/2011.

respectively, according to UNCTAD's latest World Investment Report, and four companies –Telefónica, Iberdrola, Ferrovial and Repsol YPF– are ranked among the world's top 100 non-financial TNCs.

Figure 2. Spanish Multinationals with the Largest Global Market Positions (1)

Company	Industry	Global Market Position
Ebro Puleva	Food processing	#1 producer of rice, and 2nd of pasta
Grupo SOS	Food processing	#1 producer of olive oil
Chupa Chups	Food processing	#1 producer of lollipops and #2 of candy
Viscofán	Food processing	#1 producer of artificial casings for the meat industry
Freixenet	Sparkling wine	#1 producer of sparkling wine
Tavex	Textiles	#1 producer of denim
Zara (Inditex)	Clothing	#2 most valuable clothing brand (Interbrand 2010)
Pronovias	Clothing	#1 maker of bridal wear
Acerinox	Steel	#3 producer of stainless steel
Repsol-Gas Natural (2)	Gas	#1 distributor of natural gas
Roca	Sanitary equipment	#1 maker of sanitary equipment
Grupo Antolín	Automobile components	#1 producer of interior linings
Zanini	Automobile components	#1 producer of wheel trims
Gamesa	Machinery	#6 manufacturer of wind turbines
Indo	Optical equipment	#3 manufacturer of lenses
Mondragón	Diversified	#1 worker-owned cooperative group
Grupo Ferrovial	Infrastructure	#4 developer & manager of transport infrastructure (Public Works Financing 2010)
ACS	Infrastructure	#1 developer & manager of transport infrastructure (Public Works Financing 2010); #4 construction company (Forbes ranking 2010)
Acciona	Infrastructure	#1 developer of wind farms
Iberdrola	Electricity	#1 wind farm operator
Telefónica	Telecom	#5 telecom operator by total customers
Santander	Banking	#4 bank by market capitalisation and first in the euro zone, #1 franchise in Latin America
Prosegur	Security	#3 company by sales
Sol Meliá	Hotels	#17 Sol Meliá hotels by number of beds
Real Madrid	Sports	#1 football club by revenue

(1) Latest available, mainly end of 2009.
(2) Joint venture between Repsol-YPF and Gas Natural.
Source: compiled by Esteban García-Canal & Mauro F. Guillén.

Spain has seven companies in the FT Global 500 2011, down from nine in 2010, compared to 160 US firms, 34 British, 27 Chinese, 24 French and 19 German (see Figure 3).

Figure 3. Spanish Companies in the FT Global 500 2011 (1)

Company Ranking	Sector	Market value (US$ bn) (2)
44. Telefónica (48)	Telecoms	114.4
55. Santander (46)	Banks	98.1
134. BBVA (128)	Banks	54.5
148. Iberdrola (152)	Electricity	50.6
153. Inditex (164)	General retailers	50.0
190. Repsol YPF (260)	Oil & gas producers	41.8
384. Criteria CaixaCorp (486)	Financial services	23.7

(1) 2010 ranking in brackets.
(2) At 31/III/2011.
Source: Financial Times.

The Spanish economy became far too dependent on internal, as opposed to external, demand as the driver of growth, particularly the construction sector. The collapse of this sector and related services brutally exposed the shortcomings of a lopsided economic model and largely caused the stated unemployment rate to skyrocket from 8% in 2007 to more than 20% today (46% for those under the age of 25), double the EU rate.

The depressed state of the home building sector is graphically illustrated by the number of housing starts, which at 123,888 in 2010, were one-sixth the peak level of 2006 (see Figure 4). The stock of unsold new homes is close to 700,000.

Figure 4. Housing Starts and Stock of Unsold New Homes, 2005-10

	Total housing starts (1)	Stock of unsold new homes
2005	717,463	195,184
2006	762,540	273,363
2007	617,340	413,642
2008	328,490	613,512
2009	159,286	688,044
2010	123,616	687,523

(1) Free and officially sponsored.
Source: Development Ministry.

The economy needs to become more internationalised through exports and direct investment abroad in order to create jobs on a more sustainable basis and employment of a higher quality.

Between 1988 and 2010, the contribution of external demand to GDP growth was positive in only five years and its largest contribution was in 1993, when Spain suffered its last recession and companies were forced to sell abroad to offset the contraction in their home market (see Figure 5).[5] Something similar has been happening since 2008. Indeed exports are the current engine of growth, albeit very weak (0.7% year-on-year in the second

[5] The difference between domestic and external demand gives the figure for GDP growth. For example, in 2009 the contribution of domestic demand to GDP growth was 6.4 p.p. negative and that of external demand was 2.7 p.p. positive, which meant GDP shrank by 3.7%.

quarter of 2011). In the first half of 2011 Spain achieved a rare trade surplus with the EU of €1.57 billion. The overall trade balance, however, remained negative because of the high energy bill (see the exports section).

Spain's structural problem is that external demand is only ever positive when the economy is in the doldrums, as Figure 5 shows. Once the economy starts to expand again at a reasonable rate external demand's contribution becomes negative again. The challenge for the country is to follow the example of Germany, whose economy has recovered more quickly than the other large euro zone countries precisely because it is much more export-oriented and internationalised than Spain's in good times and not just in bad ones. This goes a long way toward explaining why Germany's jobless rate is 7%, one-third of Spain's 21%. Germany's rate is the lowest since records for a reunified Germany began in 1991, while Spain's is the highest in 14 years. The comparison is even more stark in absolute terms: Germany, with a population of 82 million, has close to 3 million people out of work while Spain (population 46 million) has around 5 million.

Figure 5. Contribution of Domestic and External Demand to GDP Growth (annual % change)

	GDP Growth	Domestic Demand	External Demand
1988	5.2	7.1	-1.9
1990	3.7	5.0	-1.3
1993	-1.2	-4.5	3.4
1997	3.9	3.4	0.5
2000	5.0	5.4	-0.4
2001	3.6	3.9	-0.3
2002	2.7	3.3	-0.6
2003	3.1	3.9	-0.8
2004	3.3	4.9	-1.6
2005	3.6	5.3	-1.6
2006	4.0	5.5	-1.5
2007	3.6	4.4	-0.8
2008	0.9	-0.6	1.5
2009	-3.7	-6.4	2.7
2010	-0.2	-1.2	1.0
2011E	0.8	-1.0	1.8

Note: differences are due to rounding.
Source: National Statistics Office (INE) for 1988-2010 and Analistas Financieros Internacionales (Afi) for 2011.

(3) Current Situation

The stock of Spain's outward investment stood at US$660.1 billion at the end of 2010 (see Figure 6), compared with a stock of inward investment of US$614.4 billion. In GDP terms, Spain's stock of outward investment soared from 3.0% in 1990 to 46.9% in 2010, higher than Italy's in relative and absolute terms (see Figure 7 and Appendix A), while that of inward investment over the same period increased from 12.7% to 43.7%.

Figure 6. Outward Stocks of Foreign Direct Investment 2010, Selected EU Countries (US$ million and % of GDP)

	UK	France	Germany	Spain	Italy
US$ million	1,689,330	1,523,046	1,421,332	**660,160**	348,737
% of GDP	75.3	59.1	43.0	**46.9**	23.2

Source: World Investment Report 2011, UNCTAD.

Figure 7. Outward Flows of Foreign Direct Investment 2010, Selected EU Countries (US$ million)

	Germany	France	Spain	Italy	UK	EU
US$ million	104,857	84,112	**21,598**	21,005	11,020	407,251

Source: World Investment Report 2011, UNCTAD.

Spain's outflows of direct investment have exceeded inward investment most years since 1997 and picked up in 2010 after plummeting in 2009, as it did in almost all countries, mainly due to the global economic crisis (see Figure 8 and Appendix B). Spain's outward investment in 2010 of US$21.6bn was more than double that of 2009 and the 14th largest in the world.

Figure 8. Global Foreign Direct Investment Outflows, Top 15 Home Economies, 2009 and 2010 (US$ bn)

Country	2010	2009
US	329	283
Germany	105	78
France	84	103
Hong Kong, China	76	64
China	68	57
Switzerland	58	33
Japan	56	75
Russian Federation	52	44
Canada	39	42
Belgium	38	22
Netherlands	32	27
Sweden	30	26
Australia	26	16
Spain	**22**	**10**
Italy	21	21

Source: World Investment Report, 2011, UNCTAD.

Spain has come a long way in expanding its global presence since the end of the Franco dictatorship in 1975. The country is ranked 9th out of 54 countries in the first global presence index drawn up by the Elcano Royal Institute (see Figure 9).[6] As expected, the US is first and China is very much in the ascendant.

The index, based on 14 variables in the economic, military, scientific, social and cultural fields, is a much wider measurement of globalisation than traditional ones such as the degree of openness of economies. It will be produced every year.

[6] See http://www.realinstitutoelcano.org/wps/portal/rielcano_eng/GlobalPresenceIndex-IEPG.

Figure 9. Top Ten Countries in the Elcano Global Presence Index

Country	Points
1. US	1,000,0
2. Germany	387.6
3. France	334.9
4. UK	329.7
5. China	291.2
6. Japan	273.0
7. Russia	255.3
8. Italy	192.4
9. Spain	**189.4**
10. Canada	176.7

Source: Elcano Royal Institute.

Spain's results in the five categories reflect the country's strong and sustained internationalisation (see Figure 10). Its highest ranking is in migration and tourism (3rd position) and its lowest in technological development (17th).

Figure 10. Components of the Elcano Global Presence Index

	First country	Spain's position
1. Economy (US$ million)		
Exports of goods	China (US$1,043,165)	12th. US$186,217
Exports of services	US (US$446,370)	7th. US$108,715
Energy exports	Russia (US$169,325)	28th. US$5,450
Outward FDI stock	US (US$3,805,060)	9th. US$571,193
Overall position	US	13th
2. Defence		
Troops abroad (number)	US (330,640)	13th. 2,512
Military deployment capacity (1)	US (38,455)	9th. 2,059
Overall position	US	9th
3. Migration and tourism		
Immigrants (number)	US (42,813,000)	8th. 6,378,000
Tourists (number)	France (79,218,000)	4th. 52,231,000
Overall position	US	3rd
4. Culture and science		
Dissemination of culture (exports of audiovisual services: cinema, TV, radio and music)	US (US$12,211 mn)	7th. US$ 689 mn
International sports results (FIFA and summer Olympic Games) (2)	US (113,561)	10th. 30,089
Technological development (international patents)	Japan (59,003)	17th. 1,217
Scientific research (articles in international journals)	US 457,158	9th. 51, 988
Foreign students (number)	US 624,474	14th. 37,726
Overall position	US	12th
5. Overseas Development aid		
International development aid flow	US (US$24,833 mn)	6th. US$6,675 mn
Overall position	US	6th

(1) Aggregate indicator including airlift and sealift capabilities that allow a country to deploy units of soldiers or weapons to distant destinations not easily accessible by land forces.
(2) Aggregate indicator.
Source: Elcano Royal Institute.

The latter reflects to some extent the generally poor quality of the education system, with some notable exceptions, particularly business schools, three of which (Iese, Esade and IE) are regularly ranked among the best in the world, and the relatively low level of investment in R&D (see Figure 11).

Figure 11. Spending on R&D+I (% of GDP), 2009

Country	% of GDP
Finland	3.96
Germany	2.82
EU-27	2.01
UK	1.87
Spain	**1.38**
Portugal	1.66
Italy	1.27

Source: Eurostat.

Spain is 107th out of 139 countries in the 2010-11 ranking of education quality by the World Economic Forum where quality is defined as the capacity of an education system to adapt to the needs of a competitive economy. The country's results in the Programme for International Student Assessment (PISA) an internationally standardised assessment of literacy in reading, maths and science skills of 15-year-olds in schools conducted every three years by the OECD, are mediocre. The latest results cover 2009. Spain remained below the OECD average in all three categories (see Figure 12).

Figure 12. PISA Report Assessing Competencies in Reading, Maths and Science, Selected Countries (1)

Reading	Maths	Science
1.Shanghai, China (556)	1. Shanghai, China 600)	1. Shanghai, China (575)
2. S. Korea (539)	2. Singapore (562)	2. Finland (554)
3. Finland (536)	4. S. Korea (546)	6. S. Korea (538)
15. Poland (500)	6. Finland (541)	13. Germany (520)
17. US (500)	16. Germany (513)	16. UK (514)
20. Germany (497)	22. France (497)	19. Poland (508)
22. France (496)	OECD average (496)	23. US (502)
25. UK (494)	25. Poland (495)	OECD average (501)
OECD average (493)	28. UK (492)	27. France (498)
27. Portugal (489)	31. US (487)	32. Portugal (493)
29. Italy (486)	33. Portugal (487)	35. Italy (489)
33. Spain (481)	**34. Spain (483)**	**36. Spain (488)**

(1) Ranking of countries. Scores in brackets.
Source: OECD.

Spain has a serious problem of early school leavers (see Figure 13). In 2010, 28% of those between the age of 18 and 24, double the EU-27 average, had only completed their compulsory education (ESO, which ends at 16) and were not in further studies or vocational training. This figure, however, was down from 31% in 2009. During Spain's more than a decade long economic boom, which ended in 2007, many students left school early as it was easy to find a rudimentary job, particularly in the construction and tourism sectors. This is no longer the case and so students have no option but to continue their education.

Figure 13. Early School Leavers (% of this aged between 18 and 24 who left school after their compulsory education)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
29.2	29.9	31.6	32.0	30.8	29.9	31.0	31.9	31.2	28.4

Source: Education Ministry.

The crisis in education is a key issue which needs to be resolved for a successful transition to an economic model based more on knowledge.

(4) Telecommunications

Telefónica

Telefónica, the world's third largest telecom operator by total clients (more than 295 million, 47 million of them in Spain) and Europe's largest considering both fixed and mobile telephony, is present in more than 20 countries (see Figure 14).

Figure 14. Telefónica's Total Customers by Country (million) (1)

Country	
Argentina	22.5
Brazil	79.8
Central America (2)	7.3
Chile	12.4
Colombia	12.3
Czech Republic (3)	8.7
Ecuador	4.5
Germany	24.0
Ireland	1.7
Mexico	21.2
Peru	17.5
Spain	47.4
UK	22.9
Uruguay	1.7
Venezuela	10.4
Total	294.3

(1) At 30/VI/2011.
(2) El Salvador, Guatemala, Nicaragua and Panama.
(3) Including Slovakia.
Source: Telefónica.

Telefónica began to move into Latin America in the 1990s, acquiring interests in Chile, Argentina, Peru and Brazil. By 2002, it had more fixed lines in the region than in Spain. Its US$9.7 billion acquisition in 2010 of the 50% of Brasilcel that it did not control was one of the largest deals of the year and concluded an acrimonious dispute with its partner Portugal Telecom (PT) with whom it had formed a joint venture in 2003, which combined their mobile telephony assets in Brazil (under the name Vivo). The Portuguese government tried to veto the deal by using its 'golden share' in PT. The acquisition enabled Telefónica to merge Vivo with Telesp, it fixed-line operator, and become the market leader in Brazil.

In 2005, Telefónica entered China's state-run telecommunications sector with the purchase of 5% of China Netcom, the country's second-largest telecoms operator (since raised to close to 10%). China Netcom has 1.37% of Telefónica.

This purchase was followed in 2006 by the acquisition of the assets of the O_2 mobile telephony operator in the UK, Germany and Ireland for €26 billion, the biggest-ever Spanish acquisition of a foreign company.

Latin American and European businesses accounted for 71% of consolidated revenue and 64% of operating income before depreciation and amortisation (OIBDA) in the first half of 2011 (see Figure 15). Revenues grew 5.6% in Latin America, as opposed to Spain where they shrank 6.1%. The company is to slash up to a fifth of its workforce in Spain this year.

Figure 15. OIBDA by Geographical Area (% of total)

	2005	2006	2007	2008	2009	2010	2011 (1)
Spain	57	43	41.4	44.8	43.2	33.0	34.5
Latin America	36	36	31.2	36.8	40.4	53.4	45.9
Europe	6	20	21.8	18.2	17.3	15.6	18.5
Other companies and eliminations	1	1	5.6	0.2	-0.9	-2.0	1.1

(1) First half.
Source: Telefónica.

(5) Energy

Repsol YPF

Repsol, established in 1986 as part of a complete restructuring of oil and gas businesses owned by the state and fully privatised by 1997, took its leap abroad in 1999 when it added YPF to its name after acquiring the Argentine oil and gas giant for just under US$15 billion. It is an integrated company engaged in all aspects of the energy business, including exploration, development and production of oil and natural gas, transport of petroleum products and liquefied petroleum gas, oil refining, production of petrochemicals and product marketing. In 2010 Repsol was 40th in Platts Top 250 global energy company ranking.

Until Telefónica's purchase of the UK mobile telephony operator O_2 in 2006, this was the largest single investment by a Spanish company. Overnight, Repsol was turned into an integrated and fully-diversified energy group and the largest private energy company in Latin America in terms of assets. It has also expanded its exploration and production activities into the Middle East and Africa and has a significant stake in one of the world's largest liquefied natural gas (LNG) plants in Trinidad and Tobago (see Figure 16). The popular uprising against Libyan leader Moammar Gaddafi forced Repsol to suspend production in that country for several months.

Figure 16. Repsol YPF in the World (1)

	Upstream	Liquefied Natural Gas	Downstream	YPF	Gas Natural Fenosa (2)
Americas					
Argentina			√	√	√
Bolivia	√			√	
Brazil	√	√	√	√	√
Canada	√				
Chile		√			√
Colombia	√		√		√
Costa Rica					√
Cuba	√				
Dominican Rep.					√
Ecuador	√		√		
Guyana	√			√	
Mexico	√		√		√
Peru	√	√	√		
Puerto Rico					√
Suriname	√				
Trinidad & Tob.	√	√			
US	√	√	√	√	
Uruguay				√	
Venezuela	√				
Europe					
France			√		√
Italy			√		√
Kazakhstan	√				
Portugal			√		√
Moldova					√
Norway	√				
Russia	√				
Middle East					
Oman	√				√
Saudi Arabia	√				
Africa					
Algeria	√				√
Angola	√	√			√
Egypt	√				
Eq. Guinea	√				
Kenya	√				
Liberia	√				
Libya	√				
Mauritania	√				
Morocco	√				√

Sierra Leone	√		
South Africa			√
Asia			
Singapore		√	
Oceania			
Australia	√		

(1) At the end of 2010.
(2) A strategic ally of Repsol.
Source: Repsol.

Investment abroad since the mega purchase of YPF has been more modest but still significant. Repsol had become heavily exposed to Latin America, particularly in Argentina and Bolivia. It sold a 25.5% stake in YPF to Grupo Petersen of Argentina and 40% of Repsol Brasil to Sinopec, in one of the largest investments by the Chinese company in South America. Meanwhile, the bringing on stream in June 2010 of the first gas liquefaction plant in South America at Pampa Melchorita, Peru, is boosting the profits of Repsol's LNG arm.

The company is carrying out an intense offshore drilling campaign in Brazil, the results of which have so far uncovered more than seven discoveries in the 21 blocks where the company is involved. If expectations are confirmed, Brazil and Repsol will have one of the 10 largest proved hydrocarbon reserves in the world. Two of its discoveries in 2009 – in the Santos basin, Brazil, and the Gulf of Mexico in the US– were among the five largest in the world. Since 2008, Repsol has made more than 34 discoveries.

Repsol generates around half of its revenues abroad (see Figure 17).

Figure 17. Geographic Distribution of Repsol YPF's Revenues (% of total)

	2005	2006	2007	2008	2009	2010
Spain	44.3	49.3	48.9	47.9	51.2	46.8
Rest of the world	39.9	36.4	32.1	34.0	34.6	37.5
EU	–	–	–	10.3	9.4	10.3
OECD countries	–	–	–	7.8	4.8	5.4
Argentina, Brazil & Bolivia	15.8	14.3	19.0	–	–	-

Source: Bloomberg.

Cepsa

Petresa, a subsidiary of Cepsa (48.8% owned by the French oil company Total) with plants in Canada, Brazil and Spain, is the world leader in the production of linear alkylbenzene (LAB), a raw material for detergents. Interquisa, another subsidiary in Canada, produces raw materials for the polyester industry. Cepsa also has oil exploration and production activities in Algeria and Colombia and oil product marketing companies in various countries. It entered Asia in 2007 by investing in building an aromatics plant in South Korea and acquired another already existing plant with Hyundai Oilbank. Production will be earmarked for China.

Gas Natural Fenosa
Gas Natural Fenosa was created in 2009 after Gas Natural, Spain's former gas monopoly, acquired Unión Fenosa, Spain's third-biggest power company, and integrated their gas and electricity businesses into a single company. It operates in 23 countries and has more than 20 million customers around the world. In Spain and Latin America it is the largest such company. It also has interests in Puerto Rico, Italy, Algeria, Morocco, Angola and Moldavia, while its fleet of 10 methane carriers makes it one of the main players in the LNG market.

(6) Banks

Spain's two largest banks, Santander and BBVA, were among the best performers in the stress tests administered by the European Banking Authority (EBA) in July 2011. Their geographic diversification and longstanding prudent risk management have paid dividends as both banks have escaped relatively unscathed from the banking crisis.

The pass mark was a core Tier 1 capital ratio of 5%. BBVA came in with 9.2% and Santander with 8.4% (see Figure 18). In both the base line test and the adverse scenario, Santander emerged as the bank generating the largest profits in Europe, while BBVA had the fourth and second biggest profits in the two categories respectively.

Figure 18. Strongest Blue Chip European Banks Based on Stressed Core Tier 1 Ratio

Bank	Country	Stressed core Tier 1 ratio
SEB	Sweden	10.5
Nordea	Sweden	9.5
BBVA	**Spain**	**9.2**
Intesa Sanpaolo	Italy	8.9
ING	Netherlands	8.7
HSBC	UK	8.5
Crédit Agricole	France	8.5
Santander	**Spain**	**8.4**

Source: EBA.

Santander
The product of the merger of three banks (Santander, Central and Hispano Americano) between 1991 and 1999, Santander, the euro zone's biggest bank by market capitalisation, is present in various European countries, particularly the UK, where it owns three banks (Abbey, Bradford & Bingley and Alliance & Leicester) and Germany, Brazil, Mexico and the US (see Figure 19).

Figure 19. Santander's Main Banking Presence in the World (1)

	Customers (million)	Branches	Market share (%)	Ranking
Americas				
Argentina	2.3	343	10	1 (6)
Brazil	24.1	3,728	8	3 (6)
Chile	3.4	487	20	2 (3)
Mexico	9.1	1,098	16	3 (3)
US (Sovereign)	1.7	723	3 (4)	–
Europe				
Germany	7.1	314	13 (5)	1 (7)
Poland (BZ WBK)	2.6	530	6	
Portugal (2)	1.9	731	10	3 (6)
UK (2)	25.8	1,405	11	2 (8)

(1) June 2011 (or latest available).
(2) Not including customers from Santander Consumer units.
(3) By loans, deposits and mutual funds.
(4) In its area of influence.
(5) In consumer instalment loans.
(6) Excluding state banks.
(7) Among independent finance companies.
(8) By retail loans and retail deposits.
Source: Santander.

In the first half of 2011, Latin America accounted for 44% of attributable profit (see Figure 20) and the UK 17% (more than the Santander branch network and Banesto, its subsidiary, in the depressed home market).

Figure 20. Geographic Distribution of Santander's Attributable Profit (% of total operating areas)

	2004	2011 (1)
Continental Europe	59	34
Santander branch network	25	9
Banesto	11	3
Santander Consumer Finance	9	12
Of which: Germany	5	4
Portugal	7	2
Poland (BZ WBK)	–	2
Latin America	41	44
Brazil	16	25
Mexico	9	9
Chile	6	6
Argentina	0	2
UK	–	17
US (Sovereign)	–	5

(1) First six months. Recurring attributable profit.
Source: Santander.

The big push into Latin America, a zone with a low level of 'bankarisation' and thus plenty of scope to develop business, took place between 1999 and 2001 when Mexico's Serfin and Brazil's Banespa were bought. With a credit/GDP ratio of 29% in 2010 in the seven core countries, the region as a whole is 30 percentage points below the rate that would correspond to it at its level of per capita income.

Today, Grupo Santander Brazil is the country's third-largest private sector bank, following the acquisition in 2008 of Banco Real from ABN Amro, while Serfin, which Santander regained full control of in 2010 after buying back from Bank of America the 25% stake sold to it in 2003, is Mexico's third-biggest bank. Santander raised €7 billion in 2009 with the stock market flotation of its Brazilian business, making it the world's largest initial public offering. Santander had 5,908 branches in Latin America (4,785 in Spain) at the end of June 2011, up from just one in 1947 (Cuba). 'Latin America made us grow', said Francisco Luzón, the Chief Executive for Latin America. 'It made us mature. It took away the label of local banks and gave us our stripes as multi-local or global, international banks'.

Santander greatly enhanced its UK presence in August 2010 when it agreed to acquire 318 branches from the majority state-controlled Royal Bank of Scotland (RBS). This will give it a total of 1,641 branches in the UK, the fourth-largest network after Lloyds, RBS and Barclays. The deal also gives Santander an additional 244,000 small and medium-sized business customers, or a 5% market share, to supplement its existing 3%, as well as 1.8 million retail customers.

Far from retrenching as a result of the global financial crisis, Santander has taken advantage of opportunities to enter new markets and strengthen positions and not just in Latin America. In July 2010 Santander agreed to buy the German retail bank business of Sweden's Skandinaviska Enskilda Banken (SEB), enhancing its position in a market where it is already a leading provider of car finance and consumer loans via Santander Consumer Finance. The purchase of SEB's 173 branches almost doubled the size of Santander's German branch network. In March 2011 it completed the purchase of Bank Zachodni, Poland's third-largest bank, acquired from the troubled Allied Irish Banks. The Polish market is roughly the same size as Spain's and its economy, unlike Spain's, has not fallen into recession. Bancassurance in Latin America has been strengthened by the agreement with the insurer Zurich which combines Santander's distribution capacity and Zurich's leadership in products.

Banco Bilbao Vizcaya Argentaria (BBVA)

Like Santander, BBVA, established in 1999 and the most solvent large bank in Europe, is the result of the merger of three banks (Bilbao, Vizcaya and Argentaria). It owns Bancomer, Mexico's leading banking group, has the largest presence in the US among Spanish banks and was the first Spanish bank to break into China's fast-growing financial sector (see Figure 21). It owns 15% of China Citic Bank, the country's seventh-largest bank by assets.

Figure 21. BBVA's Main Banking Presence and Rankings in Countries (1)

	Branches	Loans ranking	Deposits ranking	Pensions ranking
Americas				
Argentina	240	3	3	–
Bolivia	9	–	–	1
Chile	180	4	4	1
Colombia	409	4	4	3
Ecuador	13	–	–	1
Mexico	2,000	1	1	2
Panama	19	4	4	–
Paraguay	24	2	2	–
Peru	279	2	2	3
Puerto Rico	36	–	–	–
Uruguay	45	2	2	–
United States	748	–	–	–
Venezuela	315	3	3	–
Europe				
Portugal	94	–	–	–

(1) June 2011 or latest available.
Source: BBVA.

BBVA acquired Bancomer in 2000 and partly as a result of this bank's presence in the US and its successful money transfer service, linking Mexican immigrants with Bancomer in Mexico, decided to directly enter the American market in 2004 with the purchase of Valley Bank of California. This was followed in 2005 by the acquisition of Laredo National Bancshares, in 2006 by the acquisition of Texas Regional Bancshares and in 2007 by Compass Bancshares, a franchise covering six states. By tapping the worker remittances market with Mexico, home of its large Bancomer bank franchise, BBVA can offer immigrant workers a range of other banking services. The purchase of Texas Regional Bancshares and State National Bancshares made BBVA the largest regional bank based in Texas and the acquisition of Compass gave it a position of leadership in the so-called Sun Belt in the Southern strip and put BBVA among the 20 leading banks in the US. In August 2009 BBVA acquired the distressed Texan bank, Guaranty Financial, auctioned by the Federal Deposit Insurance Corporation. This acquisition made BBVA Compass the 15th-largest commercial bank in the US.

The boldest move came in November 2010 when BBVA agreed to acquire 24.9% of Garanti, Turkey's largest bank by market value regarded as one of the best banks in the EU candidate country whose economy has been growing at the fastest pace along with China's among the G-20 countries. Garanti has close to 10 million customers, 863 branches and total assets of more than €60 billion. It leads the retail banking market in Turkey, ranking first in credit cards and mortgage loans.

Rising profits in Mexico and Turkey helped BBVA to offset a slump in earnings in its home market in the first half of 2011 (see Figure 22).

Figure 22. Net Attributable Profit by Business Areas (% of total) (1)

	2004	2010 (2)
Spain & Portugal	50.3	30.9
Global businesses	12.0	15.4
Mexico and US	30.0	35.5
South America	7.7	18.2

(1) Figures rounded up and the calculations made without including the losses in corporate activities.
(2) First six months.
Source: BBVA.

(7) Electricity

Iberdrola

Iberdrola is the world leader in wind power with over 13,000 MW of installed capacity in 23 countries (see Figure 23).

Figure 23. Iberdrola's Main Activities in the World (1)

	Deregulated business	Electricity distribution	Gas storage	Renewables	Engineering
Americas					
Bolivia		√			
Brazil		√		√	√
Honduras					√
Mexico	√			√	√
US	√	√		√	√
Venezuela					√
Europe					
Albania					√
Austria	√				
Bulgaria					√
Cyprus				√	
France	√		√	√	√
Germany	√		√	√	
Greece	√			√	√
Hungary				√	√
Italy	√			√	√
Lithuania					√
Poland	√			√	√
Portugal	√			√	√
Romania				√	√
Russia					√
Slovakia					√
Sweden					√
Turkey					√
Ukraine					√
UK	√	√	√	√	√
Africa					

Algeria		√
Egypt		√
Kenya		√
Tunisia		√
Asia		
China	√	
Middle East		
Qatar		√
UAE		√

(1) Figures at the end of 2010.
Source: Iberdrola.

Iberdrola has been operating in Latin America for more than 10 years. In Mexico, it is the largest private-sector producer and the second-largest generator. In Brazil, Iberdrola acquisition of Elektro in January 2011 makes it one of the leading operators in the electricity sector, where it already owns 39% of the distribution and generation company Neoenergia. Elektro serves 2.2 million clients in São Paulo state.

In the UK, it owns ScottishPower and in the US its subsidiary distributes electricity and gas in the states of Maine and New York. The acquisition of ScottishPower and of Energy East in the US gave Iberdrola a broader geographic scope and a strong platform for future growth. It teamed up with Sweden's Vattenfall in 2010 to build one of the world's biggest wind farms in the UK. In August 2011, Iberdola began the process to install its first offshore wind farm in Germany.

By 2012, Iberdrola expects traditional energy business in Spain to provide 35% of operating earnings, the UK 20%, Latin America 14%, the US 9% and renewables 22%.

Gamesa

Gamesa is one of the top five global manufacturers of wind turbines and a leading promoter of wind farms. It has installed more than 23,000 MW of its main product lines in 20 countries. In 2006, it launched its first production plant in China and it has plants in many other countries including the US, Brazil and India. More than 90% of its sales are currently outside of Spain.

(8) Construction and Infrastructure

Seven of the world's top 10 transportation developers are Spanish, according to the latest ranking by Public Works Financing (see Figure 24), while six Spanish companies were among the 20 largest by sales in 2010 in Europe, the largest presence, according to a study by Deloitte (see Figure 25). These companies have catapulted themselves onto the international market, offsetting a domestic market that became too small for them and which since 2008 has been severely depressed by the bursting of the property bubble and large cuts in government spending on public works.

Figure 24. Top Transportation Developers by Number of Concessions

	Const./Operating (1)	Active Proposals
1. ACS/Iridium (Spain)	**60**	**52**
2. Global Via (FCC-Caja Madrid) (Spain)	**45**	**37**
3. Abertis (Spain)	**40**	**7**
4. Ferrovial/Cintra (Spain)	**38**	**12**
5. Macquarie group (Australia)	36	9
6. Vinci/Cofiroute (France)	35	14
7. OHL (Spain)	**29**	**2**
8. NWS Holdings (China)	28	2
9. Acciona/Nesco (Spain)	**23**	**13**
10. Sacyr (Spain)	**22**	**12**
11. Hochtief (Germany) (2)	22	7

(1) Road, bridge, tunnel, rail and airport concessions and over US$50 million in capital put under construction/operation from 1 January 1985 to 1 October 2010.
(2) Consolidated into Spain's ACS as of June 2011.

Figure 25. Ranking of Listed European Construction Companies by Total Sales (€million)

Country	Total Sales	Number of Companies	Average Sales
France	78,154	3	26,051
Spain	**56,508**	**7**	**8,073**
UK	38,284	13	2,945
Germany	29,298	3	9,766
Sweden	22,959	4	5,740
Austria	15,503	2	7,802
Netherlands	11,650	3	3,883
Finland	5,680	2	2,840
Italy	5,060	3	1,687
Portugal	4,279	3	1,426

Source: Deloitte, European Powers of Construction 2010.

Acciona

Acciona is a world leader in the development and management of infrastructure, renewable energy, water and services. Less than a decade ago, it was one of the main construction companies in Spain, but by immersing itself in a process of diversification and looking for business opportunities at the international level, it reinvented itself. It is present in 32 countries.

Among its milestones were contracts to build a big solar-electricity plant in Nevada (US), a wind-power park in Australia, the first wind-power parks in Slovenia and Greece and the inauguration of the largest aerogenerator plant in China, the first one with Spanish technology. Acciona Energía is the world's largest developer and constructor of wind farms while Acciona Agua is strongly established in various countries. The company's infrastructure division has participated in many emblematic projects such as the Petronas twin towers in Malaysia and the Ting Kau Bridge in Hong Kong.

ACS

ACS, the result of several mergers, is Spain's largest construction company. In 2006 it acquired 25% of Hochtief, making it the German company's largest single shareholder and giving it access to hitherto untapped markets in Asia-Pacific, Canada and Eastern Europe. Hochtief's strong business in the US and Asia makes the company particularly attractive for ACS. Following a bitter take-over battle, which resulted in the departure of Herbert Lütkestratkötter, Hochtief's CEO in April 2011, ACS lifted its stake to more than 50%.

ACS is present in 75 countries, with activities ranging from the construction of motorways in Ireland and Greece, railway tunnels in New York and wind farms in Portugal to the refurbishing of dams in the state of New York, motorway concessions in Chile, Portugal, the UK and South Africa and transmission line concession projects in Brazil and Peru. Abertis, its subsidiary, operates in 15 countries through three business areas (toll roads, telecoms infrastructure and airports). It owns three British airports, Luton, Belfast and Cardiff.

International activity is generating an increasing share of business. In the first half of 2011, international sales were 117% higher year-on-year at almost €5 billion.

Ferrovial

Ferrovial is the world's leading private investor in transportation infrastructure, with operations in more than 15 countries. In 2006 it led a consortium that purchased the UK airports operator BAA, the world's biggest private-sector airports business that owned the three main airports serving London –Heathrow, Gatwick and Stansted– and six others for €23.6 billion including debt.[7] This made it the number one private operator of airports in the world.

Ferrovial also owns Swissport, the world's largest airport handling company, the US construction group Webber and Amey, the services and project-management group that runs and maintains three of London's underground rail lines. In August 2011, Ferrovial boosted its presence in Poland when it acquired PNI, one of the country's main railway construction companies. International business provided two-thirds of revenues in the first half of 2011.

FCC

Fomento de Construcciones y Contratas (FCC) was created in 1992 from the merger of two companies. Its core businesses are environmental services and water management, construction of large infrastructure, cement (Portland Valderrivas has plants in the US) and renewable energy production. It has a presence in 54 countries and around 44% of its

[7] Ferrovial sold Gatwick in October 2009 after the Competition Commission ruled that it should dispose of Gatwick, Stansted and either Edinburgh or Glasgow.

revenues came from outside Spain, mainly from Europe where FCC is a leader in infrastructure and environmental services.

Its international activities have ranged from full-service water management in Argentina, Italy and Brazil to treatment and elimination of solid urban waste in the UK and Venezuela, waste collection and street cleaning in Egypt and Chile, the building of motorways, dual carriageways and roads in Rumania, Costa Rica and Canada, expanding the underground rail network in New Delhi and building line 1 of the Panama City metro.

Sacyr Vallehermoso
Sacyr Vallehermoso (SyV) is a diversified group in construction, real estate, motorway concessions and services. In 2006, it acquired 50% of Europistas, the Spanish road concession operator, which has concessions in Chile, Portugal, Brazil, Costa Rica and Bulgaria. Europistas was merged with SyV's Itinere. In 2009, SyV was awarded the contract to design and construct the third system of locks as part of the expansion of the Panama Canal, leading an international consortium comprising Impregilo (Italy), Jan de Nul (Belgium) and CUSA (Panama).

The company is heavily weighed down by net debts of some €11 billion, a chunk of relating to its purchase of a fifth of Repsol in 2006. In August 2011, it announced a pact with another Repsol shareholder, the Mexican state-owned oil company Pemex, to win greater control of Repsol. The two companies have a combined stake of almost 30%.

OHL
OHL, a concession and construction group, entered the US market in 2006 when it acquired Community Asphalt and the Tower Group. It is also one of the five leading construction companies in the Czech Republic.

(9) Other multinationals

Abengoa
The diversified group Abengoa, with interests in solar energy, biofuels, environmental services, information technology and industrial engineering and construction, operates in more than 70 countries. It is Europe's largest bioethanol producer and the fifth in the US.

Acerinox
Acerinox's acquisition in 2002 of 64% of Columbus Stainless in South Africa made the company the world's third-largest stainless steel producer. Since 2001 it has also been the sole owner of North American Stainless (NAS) in Kentucky and in 2002 Columbus Stainless (South Africa) became part of the Acerinox Group. In Malaysia, Acerinox is building its first plant in Asia with Japan's Nisshin Steel. Acerinox sells to more than 80 countries.

CAF

CAF is one of the international market leaders in the design, manufacture, maintenance and supply of equipment and components for railway systems. It worked on the Heathrow Express in the UK, the Hong Kong airport rail link and in Turkey won contracts for the high speed train link between Istanbul and Ankara and a tram network in Antalya.

Ebro Puleva

Ebro Puleva is the world leader in the rice sector and the second-largest pasta manufacturer. It acquired Houston's Riviana Foods, the US's largest rice processor, in 2004 and with it Riviana's subsidiaries in Central America, Belgium and the UK. Riviana and Ebro Puleva had been partners for many years. In 2006, it purchased Kraft Foods' Minute Rice brand in the US and Canada, and New World Pasta, the US pasta company.

Iberostar

This tourism group has hotels in 16 countries including Brazil, Bulgaria, Cuba, Jamaica and Turkey.

Indra

Indra is Spain's leading information technologies and defence-systems company and is the only non-American company selected as a prime contractor for the US Navy. In Latin America it is one of the top-five IT service suppliers. It operates in more than 100 countries and is the European company that most invests in R&D in its sector. In July 2011, it agreed to buy Politec, one of Brazil's main IT companies. This acquisition will raise the proportion of international revenues in the total from 40% to 47% and make Brazil account for 10% of revenues.

La Seda (LSB)

La Seda is an industrial plastic packaging group operating in 15 facilities in Europe and North Africa. It is the only European producer capable of supplying PET containers in a fully integrated way. It acquired Turkey's textiles group Advansa in 2006 (with plants in the UK and Rumania) and the seven plants of Australia's Amcor, the world's largest maker of plastic soft drink bottles, in 2007.

Mapfre

Mapfre is Spain's largest insurance company and Latin America's leading non-life insurance group in terms of premium income. It also has an extensive presence in Europe. In 2007, Mapfre acquired 80% of Genel Sigorta, Turkey's sixth-largest insurance company. Its joint venture with Banco do Brasil began to operate in May 2011. International activity grew 12.5% in the first half of 2011 to €6 billion and provided 58% of total premium income.

Mondragón Cooperative Corporation (MCC)

MCC is the largest cooperative group in the world and one of the 10 largest companies in Spain. Founded in 1956 in the Basque Country by the priest José María Arizmendiarrieta, MCC has more than 60 production subsidiaries in 18 countries which manufacture everything from automotion components to timber machinery (see Figure 26).

Figure 26. MCC's Main Production Activities in the World

	Activity
Americas	
Brazil	Taps and safety systems, casting of automotion components, coaches, dies for automotion sector
Mexico	Valves, components for electric cooking, catering equipment
US	Camping and fitness equipment, bicycles
Europe	
Czech Republic	Rubber parts, taps and safety systems, electric hotplates, casting, automotive components
France	Domestic appliances, industrial ironing, automatic assembly systems, robotics
Germany	Grinding machines, automatic assembly systems, robotics, milling machines
Italy	Gas rails and pipes,
Poland	Seal manufacture, electrical resistances, domestic appliances, transformation of plastics
Portugal	Bicycles
Rumania	Ancillary industry for machine tools, timber machinery
Slovakia	Rubber components, aluminium injection and machining
Turkey	Gas taps, commercial equipment
UK	Grinding machines, vertical transport systems, plastic injection moulding and finishing
Africa	
Morocco	Domestic appliances, coach manufacture
Asia	
India	Cold rooms, catering equipment
China	Components, automation and control, mini domestic appliances, bicycles
Thailand	Surface and axial mounting of discrete semiconductors

Source: MCC.

NH Hoteles

NH Hoteles has more than 400 hotels in 25 countries including Spain. Around 70% of revenue comes from abroad.

Prisa

Prisa, is the world's leading Spanish and Portuguese-language business group in the fields of education, information and entertainment. It is present in 22 countries and reaches more than 50 million users through *El País*, Spain's leading daily, 40 Principales (network of radio stations), Santillana and Alfaguara (publishing houses). Its presence in Brazil and Portugal and among the growing Hispanic community in the US has given the group an Ibero-American dimension and has opened up a potential global market of 700 million people. Latin America generated 23% of total revenues in the first half of 2011.

Prosegur
Prosegur is a leader in private security in all the countries where it operates: Argentina, Brazil, Chile, Colombia, France, Italy, Mexico, Paraguay, Peru, Portugal, Rumania, Spain and Uruguay.

Sol Meliá
Sol Meliá has more than 350 hotels in 35 countries including Spain. In Latin America and the Caribbean it is the leader. This empire began in 1956 when the 21-year-old Gabriel Escarrer Juliá began to operate his first hotel on the island of Majorca. International expansion began in 1987 with the building of a hotel in the then relatively unknown, but now very fashionable, destination of Bali.

(10) Family-owned Multinationals

Antolín-Irausa
Antolín is the world's largest manufacturer of interior liners for cars and a leading producer of seats, door locks and electrical devices for windows. Founded in 1959, up to 70% of its revenue comes from abroad. Its first plants were set up near to Renault's assembly lines during the 1960s and in the 1970s near to Ford's plant in Valencia. In the 1990s it entered Germany, the UK, France, Portugal, the US, Mexico, Turkey, the Czech Republic, Slovakia, Brazil, Argentina, South Africa, India, Thailand, Japan, South Korea and China.

Inditex
The most spectacularly successful family firm is Inditex, the world's largest fashion retailer by sales, with 3,225 stores outside of Spain in 78 countries at the end of April 2011 (5,154 including Spain) in eight store formats (see Figure 27). In 2010, 72% of sales of €12.5 billion were generated abroad (see Figure 28).

Figure 27. Inditex's Stores (1)

	Outside Spain	In Spain
Zara	1,206	334
Zara kids	44	161
Pull and Bear	409	284
Massimo Dutti	296	246
Bershka	471	263
Stradivarius	338	281
Oysho	256	187
Zara Home	159	132
Uterqüe	46	41
Total	3,225	1,929

(1) At 30/IV/2011.
Source: Inditex.

Figure 28. Inditex's International Sales (% of the total)

1994	1996	1998	2000	2002	2004	2006	2008	2010
25	36	46	52.3	54	54.5	60.4	66	72

Source: Inditex.

Inditex's IPO in May 2001 turned Amancio Ortega, the founder and majority owner, into one of the world's wealthiest persons in the *Forbes* magazine's ranking (7th in 2011 with US$31 billion).

The company's expansion continues at a breakneck pace. It opened an average of 12 new stores a week in the first quarter of 2011 including the first two in Australia, part of an expansion into the southern hemisphere that makes it the first global retailer to sell clothes specially tailored to the region's seasons.

Its market capitalisation has been treading on the heels of Sweden's Hennes & Mauritz (H&M) to become the world's most valuable listed fashion retailer. On 19 September Inditex will join the Euro Stoxx 50 stock market index, the reference for the euro zone, where BBVA, Santander, Iberdrola, Repsol and Telefónica are already present.

Pronovias

Pronovias is the world's largest maker and seller of bridal wear, with a global market share of 5%. It started in 1922 and distributes through a network of more than 2,500 points-of-sale.

Roca

This company is the world leader in the bathroom business, operating in over 135 markets. In 2006 it acquired Switzerland's JohnsonSuisse, a company with plants in Malaysia, the Croatian and Rumanian subsidiaries of Austrian group Lasselsberger and a 50% stake in the Indian firm Parryware. In 2007 it bought Russia's Keramkia, making it the country's largest producer of ceramic bathroom equipment.

Talgo

The innovative Talgo began in the 1920s when a Basque railway engineer, Alejandro Goicoechea, pioneered a new method for building railway cars. Instead of making railway cars heavy enough to allow them to make turns at relatively high speeds, Goicoechea sought to minimise the equipment's weight by using lighter materials and reducing the cars' height. In addition, the wheels are mounted in pairs but not joined by an axle and are between rather than underneath the individual coaches The first prototype was launched in 1943 at a time when Spain was internationally isolated and its people starving after the civil war. In 1974 the Talgo became the first high-speed sleeper train in the world (covering the Barcelona-Paris route).

Talgo sold coaches to Germany in 1993 and in 1994 became the first European train with a regular commercial service in the US (between Seattle and Portland). This was followed in 1995 by Seattle-Vancouver. It entered Finland via an acquisition in 1999, where it designs, builds and maintains various types of trains and in 2003 began a service on the line between Almaty and Astana, the old and new Kazakh capitals. It also operates lines in Argentina. In June 2011, Talgo signed a contract with Russia's RZD to supply three trains for the Moscow-Berlin route.

(11) Brands

In the increasingly globalised world, in which price is not always the overriding factor, a brand, an intangible asset, is increasingly the way companies and countries compete. The better known a country's brand, the easier it is for a country and its products and services of its companies and banks to enjoy success, particularly among first-time buyers, as this hinges, to a varying degree, on the prior image consumers have of the nation that produces them.

The fashion retailer Zara, the flagship of Inditex, is no longer the only Spanish brand in Interbrand's top 100 brands. Santander entered the 2010 ranking at number 68 (see Figure 29).

Figure 29. Top 100 Most Valuable Brands, Selected Brands

Brand	US$ million
1. Coca Cola	70,452
2. IBM	64,727
3. Microsoft	60,895
4. Google	42,557
48. Zara	**7,468**
68. Santander	**4,846**
100. Burberry	3,110

Source: Interbrand.

In order to qualify for this ranking, a company has to generate at least 30% of its revenue from outside its home country and no more than 50% from any one continent. Santander's further acquisitions including Alliance & Leicester in the UK, Sovereign in the US and SEB in Germany put it in the ranking. It also has the largest financial franchise in Latin America.

Movistar, Telefónica's brand for all landline and mobile products and services in Spain and Latin America, was ranked 21st in the latest BrandZ Top 100, up from 60th position in 2010. It is the second-largest brand value in Continental Europe (see Figure 30).

Figure 30. BrandZ Top 100 Most Valuable Global Brands, Selected Companies (US$ million)

Brand and ranking	Brand value 2011	% change 2011/2010	Brand contrib.	Brand momentum
1. Apple	153,285	84	4	9
2. Google	111,498	-2	4	4
5. Microsoft	78,243	2	4	7
12. Vodafone	43,647	-2	2	4
21. Movistar	**27,249**	**n/a**	**2**	**6**
35. Facebook	19,102	246	3	5
77. Santander	**11,363**	**-37**	**2**	**5**
86. Zara	**10,335**	**15**	**3**	**6**

Source: Millward Brown Optimor (including data from BrandZ, Kantar Worldpanel and Bloomberg).

The ranking is the only one based on a brand valuation methodology that is grounded in quantitative customer research and in-depth financial analysis.

The brand value is calculated in three steps. First, the proportion of a company's earnings generated 'under the banner of a brand' is determined. Secondly, only a portion of these earnings can be considered as being driven by brand equity. This is the 'brand contribution' (displayed as an index from 1-5, with 5 the highest). It is the degree to which the brand plays a role in generating earnings. In the final step, the growth potential of these branded earnings is taken into account. The brand momentum is displayed as an index from 1-10 (10 is the highest score).

Santander was ranked 16th among the Top 20 financial institutions by brand value, down from 7th in 2010 (see Figure 31).

Figure 31. Financial Institutions, Top 20 by Brand Value, Selected Banks (US$ million)

Brand and Rank	Brand value 2011	% change 2011/2010	Brand contrib.	Brand momentum
1. ICBC	44,440	1	2	5
2. Wells Fargo	36,876	97	3	2
4. China Construction	25,524	22	2	4
11. Citi	15,674	17	4	1
16. Santander	**11,363**	**6**	**2**	**9**
20. Bank of America	9,358	-43	1	3

Source: Millward Brown Optimor (including data from BrandZ, Datamonitor and Bloomberg).

The Association of Well Known Spanish Brands (AMRE) has close to 100 members.

(12) The Paradox of Exports

The Spanish economy has been losing competitiveness over the last few years, in terms of costs, prices and productivity, and yet the performance of exports has been surprisingly positive and they have become the engine of economic growth. While the US, the UK, Germany, France and Italy have lost global market share to varying degrees over the last decade, mainly to China and other emerging countries, Spain's share of world merchandise exports has remained virtually unchanged at around 1.7% (see Figure 32), according to the World Trade Organisation (WTO).

Figure 32. Global Market Share of Merchandise Exports (%)

Country	2000	2009	2010
China	3.91	10.17	10.40
France	5.07	3.92	3.40
Germany	8.60	9.07	8.30
Italy	3.71	3.27	2.90
Spain	**1.70**	**1.76**	**1.60**
UK	4.34	2.85	2.70
US	12.10	8.55	8.40

Source: World Trade Organisation.

The WTO figures for 2000-2010 show that Spain has been relatively more competitive in the global market than other developed countries. Spain only lost 0.4 p.p. of its global share since its peak of 2.0% in 2004 compared to Germany's 0.7 p.p. since 2004, the US's 3.9 p.p. since 2000, France's 1.6 p.p. since 2004 and Italy's 1.1 p.p. In some areas, such as clothing, the rise in Spain's global market share has been impressive (see Figure 33).

Figure 33. Spain's Market Share of Global Merchandise Exports (% of the total)

Product	1990	1995	2000	2005	2009
Agricultural products	2.26	2.83	3.17	3.49	3.17
Food	2.6	3.29	3.67	4.01	3.51
Fuels and mining products	0.88	0.46	0.85	0.77	0.81
Manufactures	1.74	2.05	1.90	2.01	1.92
Metal	2.59	2.52	2.54	2.22	2.36
Chemicals	1.57	1.85	1.87	2.10	2.08
Machinery & transp. equip.	1.78	2.07	1.84	2.02	1.85
Textiles	1.43	1.81	1.93	1.84	1.68
Clothing	0.55	0.92	1.06	1.49	2.22

Source: World Trade Organisation and Spain's Ministry of Trade and Tourism.

Spain's exports of goods grew 18.5% in the first half of 2011 to €106.36 billion and it achieved a rare surplus with the EU (which takes 66.5% of exports) of €1.58 billion compared to a deficit of €3.51 billion in the same period of 2010. However, the country still recorded an overall trade deficit of €24.06 billion (8.3% less year-on-year) because of imports of €130.43 billion (+12.4%) as a result of an energy bill that was 20.5% higher.

The significant growth in exports, albeit it from a relatively low base, is one of the few positive pieces of macroeconomic news. One factor behind this apparently mysterious performance is that the cumulative loss of competitiveness has affected the export sector less as it has to be more efficient than the purely domestic sector in order to compete.[8] Exporters have also reduced their profit margins in order to compete more strongly and

[8] See the report *El misterio de las exportaciones españolas* by Solchaga Recio & Asociados (June 2011) for a more detailed explanation of this phenomenon.

enhanced the quality of their products. Exports to non-EU European countries, Latin America and North America rose 33.9%, 26.9% and 21.6%, respectively in the first six months of 2011.

As a result of the lower total trade deficit and a good year for tourism, Spain's current account deficit will be around 4% of GDP this year, down from a massive 10.1% in 2007 and 9.6% in 2008.

The problem for Spain, however, is that once the economy starts to expand again the country will suck in imports at a much faster pace and exports will wane. Figure 34 shows that Spain is not yet an exporting nation.

Figure 34. Goods Exports per Head (US$)

Country	Exports	Country	Exports
Hong Kong, China (1)	56,060	Rep. Korea	7,464
Singapore	53,966	Australia	7,042
Netherlands	30,201	Italy	6,740
Switzerland	22,448	Malaysia	5,724
Sweden	14,112	United Kingdom	5,703
Germany	13,753	**Spain**	**4,750**
France	7,743	Japan	4,551

(1) Includes re-exports.
Source: based on World Bank figures of exports and population for 2009.

(12) Conclusion

Parts of corporate Spain have become in a much shorter period than other developed countries significant players on the global stage, enabling them to weather with relative success the downturn in their home market. The challenge for these companies is to keep up this momentum.

Appendix (a)

Figure 35. Outward Stock of Direct Investment as a % of GDP by Selected Country, 1990-2009

	France	Germany	Italy	UK	Spain
1990	9.0	8.8	5.3	23.1	**3.0**
1991	10.6	9.6	5.9	22.4	**3.7**
1992	11.4	8.6	5.6	20.6	**4.5**
1993	12.3	9.3	7.9	25.5	**5.9**
1994	13.4	10.5	8.5	26.6	**5.6**
1995	13.0	10.6	9.4	26.8	**5.8**
1996	14.7	11.9	9.3	27.7	**7.2**
1997	16.7	14.3	11.7	27.2	**9.3**
1998	19.6	17.1	14.5	34.3	**12.3**
1999	22.9	19.3	15.1	46.8	**19.1**
2000	69.7	28.5	16.4	62.3	**22.2**
2001	59.6	32.7	16.3	60.6	**23.6**
2002	43.8	34.5	16.0	63.2	**23.8**
2003	52.6	34.0	15.9	63.8	**25.0**
2004	56.1	33.7	16.2	56.6	**27.0**
2005	57.5	33.2	16.5	52.6	**27.0**
2006	71.0	37.1	20.3	59.6	**35.3**
2007	69.6	40.1	24.6	65.6	**40.8**
2008	45.9	36.0	22.3	57.5	**37.4**
2009	64.9	41.2	27.4	76.0	**44.2**
2010	59.1	43.0	23.2	75,3	**46.9**

Source: World Investment Report 2011, UNCTAD.

Appendix (b)

Figure 36. Foreign Direct Investment Outflows by Selected Country, 1990-2010 (US$ billion) (1)

	France	Germany	Italy	UK	Spain	Spain (% of EU total)
1990	36.2	24.2	7.6	17.9	**3.3**	**2.5**
1991	25.1	22.9	7.3	16.4	**4.1**	**3.8**
1992	30.4	18.6	5.9	17.7	**2.4**	**2.3**
1993	19.5	17.1	7.2	26.0	**3.1**	**3.3**
1994	24.3	18.8	5.1	32.2	**4.1**	**6.7**
1995	15.7	39.0	5.7	43.6	**4.6**	**2.9**
1996	30.4	50.8	6.5	34.0	**7.0**	**3.8**
1997	35.5	41.8	12.2	61.6	**14.4**	**6.4**
1998	48.6	88.8	16.0	122.8	**20.2**	**4.9**
1999	126.8	108.7	6.7	201.4	**44.4**	**6.2**
2000	177.4	56.5	12.3	233.4	**58.2**	**7.1**
2001	86.7	39.7	21.4	58.8	**33.1**	**7.6**
2002	50.4	18.9	17.1	50.3	**32.7**	**12.3**
2003	53.1	5.8	9.0	62.2	**28.7**	**10.0**
2004	56.7	20.5	19.2	91.0	**60.5**	**16.4**
2005	114.9	75.9	14.3	80.8	**41.8**	**6.9**
2006	110.6	118.7	15.3	86.3	**104.2**	**15.1**
2007	164.3	170.6	21.1	272.3	**137.0**	**11.4**
2008	155.0	77.1	18.9	161.0	**74.7**	**8.2**

2009	102.9	78.2	26.6	44.4	**9.7**	**2.5**
2010	84.1	104.8	17.8	11.0	**21.5**	**5.3**

(1) Figures rounded up to nearest decimal.
Source: World Investment Report 2011, UNCTAD.

Appendix (c)

Figure 37. Net Foreign Direct Investment Inflows of Spain and the US in Latin America and the Caribbean, 2005-10 (US$ million

Country	2005	2006	2007	2008	2009	2010
Argentina						
Spain	1,339	2,374	1,774	691	1,037	-
US	1,263	816	711	2,010	249	-
Chile						
Spain	–	822	1,088	2,210	1,756	1,243
US	–	111	3,726	2,272	2,278	2,802
Dominican Republic						
Spain	215	308	604	181	154	299
US	457	662	536	360	460	307
Ecuador						
Spain	3	7	85	128	73	16
El Salvador						
Spain	–	–	–	–	–	-43
US	332	13	499	129	74	112
Guatemala						
Spain	56	56	42	66	64	–
US	192	198	326	229	151	–
Mexico						
Spain	1,289	1,779	5,380	4,880	2,639	1,305
US	11,886	12,929	12,372	10,593	6,750	4,892
Nicaragua						
Spain	17	10	45	59	26	33
US	51	53	84	52	60	98
Panama						
Spain	–	172	271	188	371	–
US	–	121	230	492	343	–
Paraguay						
Spain	9	7	19	11	16	23
US	20	84	107	190	111	193
Venezuela						
Spain	40	274	295	237	–	–
US	–	–	–	–	–	–

Source: Economic Commission for Latin America (ECLA).

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