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Spain's Main Multinationals: An Increasing Force in the Economy

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Introduction

Anyone who had predicted 15 years ago that Spanish companies today would own in the UK the largest mobile telephone company (02), operate three lines of the London underground and the country's largest airports (including Heathrow), acquire a leading mortgage bank (Abbey) and a power company (ScottishPower), or that its two largest banks would dominate the Latin American banking scene and Inditex would become the world's second-largest fashion retailer by number of shops would have been laughed at for making an absurd joke. But this is what has happened, and it is only a small part of the overall picture. While the influx of immigrants is the most significant inward factor, the most important outward factor is the huge investment abroad by Spanish companies and the creation of a significant number of multinationals.

The first wave of outward foreign direct investment (FDI) in the 1960s and early 1970s was very modest, accounting for a mere 0.1% of international FDI flows. It occurred at a time when Spain took its first timid steps to open up its economy and relaxed controls on capital outflows, moving away from the autarky that followed the country's 1936-39 Civil War. The bulk of this investment went to European Community (EC) countries, followed by Latin America. Spain's share in international flows increased to 0.3% in the 1970s when investment in Latin American and Caribbean countries accounted for more than half of the country's total outflows, while that to EC countries and the US lost relative share. Financial and commercial activities accounted for around three-quarters of Spanish FDI in Latin America and there was also some investment in manufacturing. Outward flows averaged USUS$260 million during the 1970s. Latin America's external debt crisis, triggered by Mexico's default in 1982, plunged many countries into recession and changed the course of Spain's FDI. By 1985, the region's share of Spain's outward FDI had fallen from more than 50% to 20%. The 1980s were a 'lost decade' for Latin America.

The big change and the catalyst for a much stronger drive in outward FDI came from joining the European Union (EU) in 1986 and the European Single Act in 1993. The strategic focus of corporate Spain changed from one of defending the relatively mature home market 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), all of which were to be privatised and become cash rich, and the big banks conscious of the need to reposition themselves in the more competitive environment. The tougher environment was underscored by an 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 FDI surged from an average of US$2.3 billion in 1985-95 to US$18.9 billion in 1998 and a peak of US$89.7 billion in 2006, the third largest amount after the US and France, according to the OECD. Between 1997 and 2006 Spain's net FDI outflows of US$181 billion were the sixth largest among OECD countries (see Figure 1). The stock of outward investment stood at US$381.3 billion in 2005 (33.8% of GDP) when, for the first time, it exceeded the stock of inward investment (US$367.6 billion or 32.6% of GDP), according to UNCTAD.

Figure 1. Cumulative FDI Flows in OECD Countries, 1997-2006 (US$ billion)

Country	Outflows	Inflows	Net Outflows
1. France	871.8	480.8	391.0
2. Japan	330.9	53.4	277.5
3. UK	1,045.3	797.2	248.2
4. Switzerland	318.5	103.4	215.0
5. Netherlands	513.1	299.1	214.0
6. Spain	**420.8**	**239.8**	**181.0**
7. Italy	198.2	128.8	69.4
8. Canada	323.1	285.3	37.9
9. Germany	510.2	473.2	37.0
10. Norway	67.0	39.4	27.5

Source: OECD.

The expansion abroad, as of the early 90s, came after a wave of mergers, restructurings and privatisations which enhanced the critical mass of Repsol, Endesa and the big banks BBVA and Santander, among others. Their acquisitions abroad have turned these companies, and others, into significant players in the international corporate landscape. Spain has nine companies in Fortune's Global 500 ranking of the world's largest corporations based on 2005 revenues (a decade earlier it had none), one less than Italy but well below the UK's and France's 40 and Germany's 36 (see Figures 2 and 3). Santander, BBVA, Telefónica, Endesa and Repsol-YPF are also among the largest companies in the Euro Stoxx 50 by market capitalisation.

Figure 2. Spanish Companies in the Fortune Global 500 (US$ billion)

Ranking	Revenue
84. Repsol YPF	56.4
93. Santander	53.8
108. Telefónica	48.8
208. Endesa	22.6
322. Cepsa	20.1
410. BBVA	16.3
429. Altadis	15.7
447. ACS	15.0
466. Iberdrola	14.5

Data shown are for the fiscal year ended on or before March 31, 2006.
Source: Fortune Global 500.

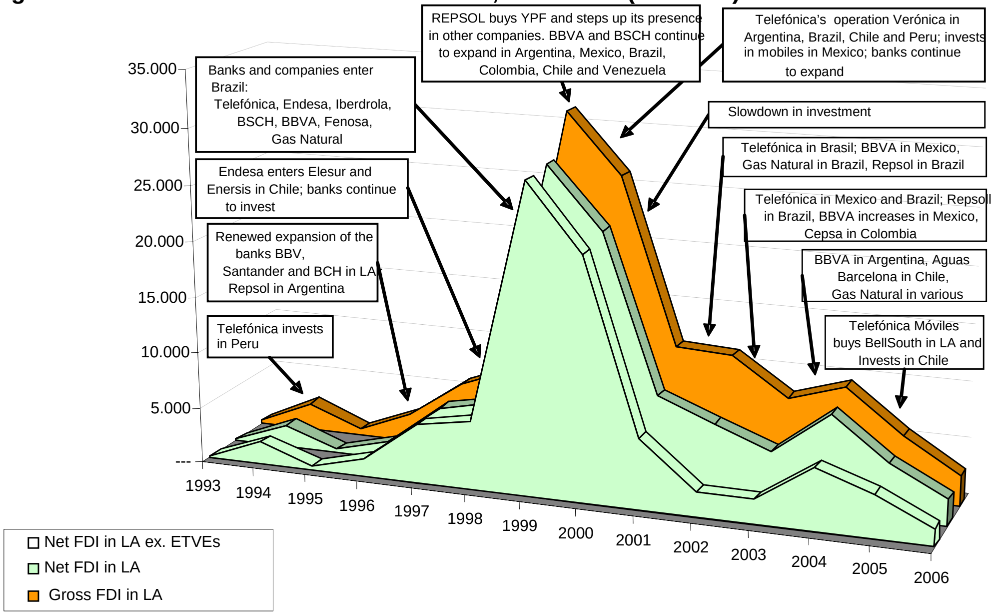
Figure 3. Fortune Global 500 by Country (1)

Country	Country
1. US (170)	10. Switzerland (12)
2. Japan (70)	11. Italy (10)
3. UK (40)	**12. Spain (9)**
4. France (40)	13. Australia (8)
5. Germany (36)	14. India (6)
6. China (20)	15. Sweden (6)
7. Canada (14)	16. Belgium (5)
8. Netherlands (14)	17. Mexico (5)
9. South Korea (12)	18. Russia (5)

(1) Only countries with five or more Global 500 companies are listed.
Source: Fortune Global 500.

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, the banks 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 (see Figure 4). 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%.

Figure 4. Investment Flows to Latin America, 1993-2006 (€ million)



Source: Alfredo Arahuetes and Aurora García, based on figures from the Investment Registry and their own data base.

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, had also become sounder as a result of major reforms, making the region a less risky place to invest. All countries have reduced their inflation below 10% on average except for Venezuela, where inflation was relatively low until 1986 and has not consistently decreased since then. Public sector finances and external accounts have also improved. Mexico and Chile have both 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. Brazil is moving towards investment grade, which if it occurs will boost confidence in the country. Lastly, democracy has been gradually taking root in an increasing number of countries.

Another factor behind the expansion, which should not be overlooked, is that Spanish companies are able to offset against tax 30% of the goodwill costs of any foreign company purchase. Goodwill is the difference between the book value of assets and the actual price paid. This allows Spanish companies to outbid other companies to a greater extent than otherwise might be the case.

Most of the outward FDI in Latin America has taken place in public utilities, telecommunications, financial services and infrastructure, sectors protected like Spain's once were and which began to liberalised and privatised. 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.[1] 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. Telefónica is the third-largest non-financial transnational company in Latin America, after Wal-Mart and General Motors of the US, with consolidated sales of US$19,965 million in 2005 (latest year available), Endesa the seventh with US$10,251 million and Iberdrola the 23rd (US$4,007 million).

The shift away from Latin America as of the early 2000s, after Argentina's financial meltdown, which hit the banks and companies there but hardly affected the Spanish economy as whole,[2] 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 O2 mobile telephony operator in the UK, Germany and Ireland, the biggest-ever Spanish acquisition of a foreign company so far. Latin America, however, remains a major contributor to the bottom line of a significant number of companies and banks. In 2006, almost one-quarter of the earnings before interest and tax (EBIT) of companies comprising the Ibex-35 index of the Spanish stock exchange came from the region (see Figure 5).

Figure 5. Exposure to Latin America in EBIT (% of total), 2006 (1)

Company	Argentina	Brazil	Mexico	Other Latam	Total Latam
BBVA	4	0	42	9	55
Santander	1	13	12	11	37
Telefónica	3	18	0	12	33
Endesa	10	8	0	12	30
Repsol YPF	35	0	0	10	45
Gas Natural	3	8	7	7	25
Unión Fenosa	0	0	7	18	25
Prisa	1	3	6	6	16
Mapfre	1	4	1	4	10
NH Hoteles	2	1	6	1	10
Iberia	1	2	3	4	10
Inditex	1	2	2	3	8
Cintra	0	0	0	9	9
Iberdrola	0	4	3	0	7
Indra	1	1	1	2	5
ACS	1	1	1	0	3
Abertis	0	0	0	1	1
Ferrovial	0	0	0	3	3
REE	0	0	0	3	3
FCC	0	0	0	0	2
Sacyr Vallehermoso	0	0	0	7	7
Acciona	0	0	0	1	1
Ibex-35	4	5	7	7	24
Ibex-35 ex banks	5	5	1	6	18

(1) Earnings before interest and taxes.
Source: Company reports and Santander Investment Bolsa.

According to an exercise carried out for the first time by the Bank of Spain, the difference at the end of September 2006 between the recorded value of the total stock of investment abroad (€372.8

[1] See his *The Rise of Spanish Multinationals*, Cambridge University Press, 2005.
[2] The Bank of Spain prudently monitors Latin America more closely than any other European central bank and there is a unit within the Economic Office of the Prime Minister which acts as a body for coordinating activities and developments in the region.

billion) and the theoretical market value (€598.1 billion) was €225.3 billion. This figure, at least in theory, represents the unrealised capital gains. The calculation was based on investments between 1993 (when the stock of this investment stood at 4.2% of GDP) and September 2006 (39.5% of GDP). Some 40% of the investment was in emerging countries, almost all of it in Latin America.

Telecommunications

Telefónica

Telefónica, the world's third-largest telecommunications company by number of total customers (more than 200 million) and Europe's largest doing both fixed and mobile telephony, is present in 24 countries.

In 1990, after it began trading on the New York Stock Exchange in 1987, Telefónica began to move into Latin America. It first acquired stakes and took over the running of CTC and ENTEL in Chile and the Argentine operator and in 1994 acquired Telefónica de Perú. These were privatised companies. In 1996, Telefónica entered Brazil as head of a consortium that acquired 35% of the voting shares of CRT in the southern state of Rio Grande do Sul and in 1998 the Telefónica-led consortium won the tender to acquire Telesp, which operates in the state of São Paulo, the country's economic powerhouse. In 2000, it acquired all the capital of its operations in Argentina, Brazil, Chile and Peru and in 2001 acquired Motorola's cellular assets in Mexico.

By 2002, it had more fixed lines in Latin America (21.6 million) than in Spain (18.7 million) and 21.3 million mobile telephone customers (18.4 million in Spain). In 2003 Telefónica and Portugal Telecom, the country's incumbent in which Telefónica has a stake of 9.8%, set up a joint venture which combined their mobile telephony assets in Brazil (under the name Vivo) and in 2004 Telefónica acquired BellSouth's mobile telephony assets in Latin America, making it the largest mobile phone company in the region.

Like other Spanish companies, notably the banks Santander and BBVA, Telefónica was hit by the financial crisis in Argentina in 2002.[3] That year it made a net loss of €5.58 billion, as a result of the write-off of more than €16 billion of goodwill relating to its Argentine companies, its US Internet portal Lycos, and its third-generation mobile telephony licences in Europe. Latin America's contribution to group revenues dropped from 43% to 35%.

In 2005, Telefónica made a bold move into Asia when it broke into China's state-run telecommunications sector with the purchase of 5% of China Netcom, the country's second-largest fixed-line operator. It also put a toe into the European market by acquiring Cesky Telecom in the Czech Republic. This purchase was followed in 2006 by the acquisition of the assets of the O2 mobile telephony operator in the UK, Germany and Ireland for €26 billion, the biggest-ever Spanish acquisition of a foreign company. O2 is the UK's second-largest mobile operator. This deal made Telefónica the world's fourth-largest mobile operator by number of customers after China Mobile, Vodafone and China Unico, adding 24.6 million clients in Europe and making the company a truly global player. In 2007 Telefónica acquired a stake of 10% in Telecom Italia. Lastly, Telefónica is also present in North Africa where it owns 32% of Morocco's Medi Telecom (more than 5 million mobile telephony clients). At March 30, 2007 Telefónica had 148.3 million fixed and mobile telephony customers abroad compared with 37.7 million in Spain (Figure 6).

[3] In February 2006 Telefónica suspended a claim worth US$2.8 billion against Argentina in a World Bank tribunal. The suspension of such claims, filed by dozens of foreign companies in the wake of Argentina's crisis, was a prerequisite laid out by Argentina's President, Nestor Kirchner, for the renegotiation of new contracts. These have progressed slowly.

Figure 6. Telefónica's Fixed and Mobile Telephony Customers Abroad (thousands)

Country	Company	Customers (1)
Argentina	Telefónica de Argentina	4,628
	TEM Argentina	11,813
Brazil	Telesp	12,034
	Vivo (2)	29,030
Central America		4,136
Chile	Telefónica Chile	2,177
	TEM Chile	5,767
Colombia	Colombia Telefónica	2,346
	TEM Colombia	7,545
Czech Republic	T. 02 Czech Republic	2,287
Ecuador	TEM Ecuador	2,482
Germany	02 Germany	11,184
Ireland	O2 Ireland	1,632
Mexico	TEM México	9,320
Morocco	Medi Telecom	5,633
Peru	Telefónica del Perú	2,531
	TEM Perú	5,663
Slovakia	T. 02 Czech Republic	387
UK	O2 UK	17,751
Uruguay	T. Móviles Uruguay	874
Venezuela	TEM Venezuela	9,100
Total		148,320

(1) At March 30, 2007
(2) Joint venture.
Source: Telefónica.

The impact of 02 was quickly felt. In 2006, Europe's operating income before depreciation and amortisation (OIBDA) accounted for 20% of the total, up from 6% in 2005, and made a major contribution to the 40.2% increase in net profit to €6.2 billion, the highest in the European telecommunications sector (see Figure 7).

Figure 7. OIBDA by Geographic Area (% of total)

	2005	2006
Spain	57	43
Latin America	36	36
Europe	6	20
Rest of world	1	1

Source: Telefónica.

Oil, natural gas and petrochemicals

Repsol YPF

Repsol 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. Until Telefónica's purchase of the UK mobile telephony operator 02 in 2006, this was the largest single investment by a Spanish company. Overnight, Repsol YPF 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– and has LNG projects underway in Canada, Peru, Algeria, the Middle East and Mexico and growing activities in Russia (see Figure 8). In 2006 it was 16th in Platts Top 250 global energy company ranking.

Figure 8. Repsol YPF's Main Presence in the World

	Exploration & Production	Refining & Marketing	Chemicals	Gas & Electricity
Americas				
Argentina	√	√	√	√
Bolivia	√	√		
Brazil	√	√	√	√
Canada	√			
Chile		√		
Colombia	√			√
Cuba	√			
Ecuador	√	√		
Guyana	√			
Mexico	√		√	√
Peru	√	√		
Suriname	√			
Trinidad & Tobago	√			
US	√			
Venezuela	√			
Europe				
Denmark			√	
France		√		
Germany			√	
Italy		√	√	
Kazakhstan	√			
Portugal		√	√	
Russia	√			
Middle East				
Dubai	√			
Iran	√			
Saudi Arabia	√			
Africa				
Algeria	√			
Angola	√			
Equatorial Guinea	√			
Kenya	√			
Liberia	√			
Libya	√			
Mauritania	√			
Morocco	√	√		
Sierra Leone	√			
Asia				
Singapore		√		

Source: Repsol YPF.

Like Telefónica in telecommunications and Endesa (see below) in electricity, Repsol YPF is also by far the biggest player in its domestic market. The company, established as Repsol in 1987 as part of a complete restructuring of the oil and gas businesses owned by the state, was fully privatised by 1997. It is an integrated company engaged in all aspects of the energy business, including exploration, development and production of oil and natural gas, transportation of petroleum products and liquefied petroleum gas, oil refining, production of petrochemicals and product marketing.

Investment abroad in developing oil and gas fields, after the mega purchase of YPF, has been more modest but still significant and increasingly closer to home in Algeria, Libya and the US as Repsol had become heavily exposed to Latin America, particularly in Argentina and Bolivia. Repsol is in an almost unique situation among the world's major hydrocarbon giants as its sector peers –with the exception of the Chinese national companies and the state-owned Russian operator Gazprom– are losing interest in Latin America for geological reasons and issues of investment insecurity, and are abandoning the region. Two US oil majors, ConocoPhillips and ExxonMobil, recently announced their withdrawal from Venezuela after they refused to accept the new terms for heavy-oil producers under which they would be junior partners to PdVSA, the state oil company, and expected to write cheques for new investment over which they would not have full control. Repsol YPF's heavy-oil interests in Venezuela are comparatively not very significant and it has so far enjoyed good relations with the left-wing populist government of Hugo Chávez.

Between 2002 and 2006 investment outside of Spain accounted for 67% of the total of €19.6 billion (see Figure 9) and over the same period revenue generated in Spain declined from 69% of the total to 54% (see Figure 10).

Figure 9. Geographic Distribution of Repsol YPF's Investments (€ million))(1)

	2002	2003	2004	2005	2006
Spain	986	1,322	1,677	1,270	1,228
Argentina, Bolivia, Brazil	1,607	2,389	968	1,224	1,379
Rest of world	80	126	1,102	1,219	3,130
Total	2,673	3,837	3,747	3,713	5,737

(1) Including capitalisation of spending distributed in several years.
Source: Repsol YPF.

Figure 10. Geographic Distribution of Repsol YPF's Revenue (€ million)

	2002	2003	2004	2005	2006
Spain	25,135	25,098	21,573	28,685	29,800
Argentina, Bolivia, Brazil	9,530	10,322	11,408	12,977	14,334
Rest of world	1,825	1,786	7,311	9,383	10,946
Total	36,490	37,206	40,292	51,046	55,080

Source: Repsol YPF.

Price-capping, export controls and other populist policies in Argentina have dogged Repsol and it was affected by nationalisation measures in Bolivia. The company had also overstated its reserves to the tune of 25% –the difference between what Repsol booked and what independent auditors judged economically extractable–. They were written down in 2006 as part of what Antonio Bufrau, Repsol's Chairman, called a 'complete health check'. Repsol plans to invest €21 billion between 2005 and 2009 in lifting its oil and gas reserves and reducing its dependence on Latin America. The region produced 85% of daily net output of oil in 2006, including condensates and liquid natural gas, and almost all output of natural gas.

Repsol has a cooperation agreement with Gazprom of Russia and significant interests in Libya which is viewed as a key country in its new upstream growth strategy. In early 2007, Repsol announced the discovery in Libya of its largest-ever oil field, which will double its reserves and production in that country, and it has a significant number of blocks in the US Gulf of Mexico, an area which it estimates will produce total net production of 50,000 b/d in 3-4 years time.

Cepsa

Petresa, a 51%-owned subsidiary of Cepsa 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. In July 2007, it announced it would enter Asia by investing €700 million in building an aromatics plant in South Korea and acquire another already existing plant with Hyundai Oilbank. Production will be earmarked for China.

Gas Natural

Gas Natural, Spain's former gas monopoly, entered Argentina in 1992, and in 1997 teamed up with other companies to win the tender for the privatisation of Brazil's CEG and CEG Río which distribute piped gas to the metropolitan area of Río de Janeiro and the rest of the state. Gas Natural also operates in Colombia and Mexico. In 2006, Latin America generated 20% of the €1,912 million of earnings before interest, taxes, depreciation and amortisation (EBITDA). Gas Natural also has companies in Puerto Rico and Italy.

Banks

Santander

Santander's rise from a local note-issuing bank founded in 1857 in the then province of the same name (now the autonomous region of Cantabria) to its position today as the euro zone's leading retail bank, the largest by market capitalisation and with the biggest financial franchise in Latin America is a remarkable one. The product of the merger of three banks (Santander, Central and Hispano Americano) between 1991 and 1999, Santander is present in 12 European countries, including the UK, where it owns Abbey, a mortgage leader bank, eight Latin American countries and since 2006 the US when it acquired 24.8% of Sovereign Bancorp and 90% of the auto finance company Drive Financial (see Figure 11). In 2006, Santander's net attributable profit of €7.6 billion was the world's seventh largest among banks and it had 16.9 million retail banking customers in the UK, compared with 23.2 million in Latin America and 10.3 million in Spain –including Banesto, the fourth-largest commercial bank, which it bought in 1994–.

Figure 11. Santander's Main Banking Presence in the World

	Name of Bank
Americas	
Argentina	Banco Santander Río
Brazil	Santander Banespa
Chile	Santander
Colombia	Santander
Mexico	Santander
Puerto Rico	Santander Puerto Rico
Uruguay	Santander
US	Sovereign Bancorp[1]
Venezuela	Banco de Venezuela
Europe	
Portugal	Santander Totta
UK	Abbey

(1) Stake of 24.8%, no management control.
Source: Santander.

Long before its marriage to Central Hispano in 1999 (Hispano Americano, founded in 1900, and Central, established in 1919, merged in 1991), Santander was internationally-minded. One of its earliest functions was to finance foreign trade between the port city of Santander and Latin America. In 1947 it opened a representative office in Cuba, a Spanish colony until 1898, and in 1963 acquired its first bank in the Americas (Banco del Hogar Argentino). The big push into Latin America, a zone with a low level of 'bankarisation' and thus plenty of scope to develop business, however, took place between 1999 and 2001 when Mexico's Serfin and Brazil's Banespa were bought. Santander Serfin is Mexico's third-largest banking group and Santander Banespa the fourth-biggest private sector banking group in Brazil. By the end of 2006 the number of Santander branches in Latin America had grown from the one in 1947 (Cuba) to 4,368.

Santander opened its first office in London in 1954 and in 1988 established an alliance with Royal Bank of Scotland (RBS) which lasted 16 years. It included an exchange of shares and various cooperation agreements and joint investments. RBS helped Santander to acquire Banespa in Brazil and Santander aided RBS in its purchase of National Westminster. In the year 2000 Santander acquired Portugal's Totta, the third-largest private sector bank, and in 2004 it made its largest single investment when it bought Abbey, the UK's sixth-largest bank, for €12.5 billion. The purchase of Abbey gave Santander a better geographic diversification among emerging, mature and stable economies and a major presence in one of Europe's most attractive and profitable banking markets. At the end of 2006, Santander had 6,484 branches in the UK and Continental Europe and together with those in Latin America they formed the largest international network of bank branches

(10,978). Close to one-seventh of Santander's ordinary attributable profit came from Abbey in 2006 (see Figure 12).

Figure 12. Geographic Distribution of Santander's Ordinary Attributable Profit (% of total) (1)

	2004	2005	2006
Continental Europe	59	54	51
Santander branch network	25	23	22
Banesto	11	9	9
Santander Consumer Finance	9	9	8
Portugal	7	6	6
Latin America	41	32	34
Brazil	16	11	11
Mexico	9	7	8
Chile	6	6	7
UK			
Abbey	-	14	15

(1) Excluding the net figure of extraordinary capital gains and allowances.
Source: Santander.

Santander also operates in 12 Continental European countries through its consumer finance arm, Santander Consumer Finance (SCF), which has one of the largest networks for this business (see Figure 13). It began its international expansion in the consumer credit segment with the acquisition in 1987 from Bank of America of CC Bank in Germany. In 2006, 36% of SCF's revenues came from Germany, slightly more than the proportion from Spain.

Figure 13. Santander Consumer Finance's Businesses in Europe

	Vehicles	Motorbikes	Stock Finance	Consumer Goods	Direct Loans	Insurance
Czech Rep.	√		√		√	
Germany	√	√	√	√	√	√
Hungary	√				√	
Italy	√	√	√	√	√	√
Netherlands	√		√			
Norway	√					
Poland	√		√		√	√
Portugal	√	√	√	√		√
Sweden	√		√			
UK	√		√			√

Source: Santander.

Banco Bilbao Vizcaya Argentaria (BBVA)

BBVA was also founded in 1857 and is the result of the merger of three banks, the last one in 1999 (BBV + Argentaria) and hard on the heels of the creation of Santander. BBVA's roots are in the Basque Country (Banco de Bilbao and Banco de Vizcaya). 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. The bank is present in 32 countries (see Figure 14).

Figure 14. BBVA's Main Banking Presence in the World

	Name of bank
Americas	
Argentina	BBVA Banco Francés
Chile	BBVA Chile
Colombia	BBVA Colombia
Mexico	BBVA Bancomer
Panama	BBVA Panama
Paraguay	BBVA Paraguay
Puerto Rico	BBVA PuertoRico
Peru	BBVA Continental
Uruguay	BBVA Uruguay
US	Laredo National Bancshares
	Texas Regional Bancshares
	State National Bancshares
	Valley Bank
	Compass Bancshares
Venezuela	BBVA Provincial
Europe	
Portugal	BBVA Portugal
Asia	
China	Citic Bank and Citic International Financial Holdings (1)

(1) BBVA acquired 5% and has an option to increase the stake to 9.9%.
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 €2.1 billion acquisition of Texas Regional Bancshares and in 2007 by Compass Bancshares, a franchise covering six states, for €7.4 billion. 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, its largest acquisition, 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. Mexico, the US and South America generated 45.1% of total net attributable profit in 2006 compared with 37.9% from retail banking in Spain and Portugal (see Figure 15).

Figure 15. Net Attributable Profit by Business Areas (% of total) (1)

	2004	2005	2006
Retail banking in Spain and Portugal	50.3	43.0	37.9
Global businesses	12.0	12.6	17.0
Mexico and US	30.0	34.8	35.0
South America	7.7	9.6	10.1

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

Electricity

Endesa

Endesa was formed in 1944 when Spain built up basic industries through the Instituto Nacional de Industria (INI), the holding company formed after the 1936-39 Civil War. Endesa, privatised by 1998, is the dominant power producer in Spain. It agreed to merge with Iberdrola, the second-largest power company, but the marriage was called off in 2001 after the government imposed strict conditions on the recommendation of the National Energy Commission which the companies said made tying the knot not worth the effort. Endesa is in the process of being taken over by Italy's Enel and Spain's Acciona.

Endesa's first foray into Latin America was in 1992 when it acquired a stake in Argentina's Yacylec and it entered Brazil through Enersis, the Chilean holding company, that had built up a considerable share in the electricity markets of other countries. Endesa established a strategic alliance with Enersis in 1997 and took a 32% stake in the company, and the two companies then headed a consortium which was awarded the Brazilian distributor Coelce (see Figure 16). Endesa today owns 60% of Enersis, Chile's largest private-sector electricity group, and has used the company as the vehicle for other investments in Latin America. Chile accounts for 36% of Endesa's assets in Latin America, Brazil for 25% and Colombia 21%. Endesa's main presence in Europe is in France and Italy. Snet is France's second-largest producer after EDF and Endesa Italia the third largest. In 2006 Endesa acquired an electricity company in Poland, the largest of the new EU members. Latin America accounted for 30% of Endesa's total power capacity of 47,113 MW in 2006 and Europe (excluding Spain and Portugal) for 20%.

Figure 16. Endesa's Main Production and Distribution Presence in the World

	Name of company
Americas	
Argentina	Costanera
	El Chocón
	Dock Sud
Brazil	Cachoeira
	Fortaleza
	Ampla
	Coelce
Chile	Endesa Chile
	Chilectra
Colombia	Betania
	Emgesa
	Codensa
Peru	Edegel
	Eepsa
	Edelmar
Europe	
France	Snet
Italy	Endesa Italia
Poland	Endesa Polska
Portugal	Tejo Energía
	Sociedade Térmica Portuguesa
	Finerge
North Africa	
Morocco	Tahaddart

Source: Endesa.

Latin America's share of Endesa's earnings before interest, taxes, depreciation and amortisation (EBITDA) has been more than 30% since 2002 while Europe's (excluding Spain and Portugal) has risen from 5% to 16% (see Figure 17).

Figure 17. Endesa's EBITDA by Geographic Area (% of total)*

	2002	2003	2004	2005	2006
Electricity business in Spain and Portugal	60.7	59.4	54.6	54.2	53.7
Electricity business in Latin America	32.8	31.2	33.6	31.2	30.6
Electricity business in Europe	4.9	8.0	11.8	14.6	15.7
Other businesses	1.6	1.4	–	–	–

Source: Endesa.

Iberdrola

Iberdrola, Spain's largest electricity group and the world's largest wind-power generator, is present in around 40 countries, either generating or distributing electricity, supplying gas or other activities (see Figure 18).

Figure 18. Iberdrola's Main Activities in the World

	Electricity Generation	Electricity Distribution	Gas Supply (1)	Electricity Supply (1)	Engineering Projects
Americas					
Bolivia		√			
Brazil	√	√			√
Chile	√				
Guatemala		√			
Mexico	√				√
US	√				√
Venezuela					√
Europe					
Estonia	√				
France	√		√		√
Germany	√				√
Greece	√				√
Hungary	√				
Italy	√				√
Poland	√				√
Portugal	√			√	
Russia					√
UK	√				√
Africa					
Algeria					√
Kenya					√
Tunisia					√
Asia					
China	√				

(1) Iberdrola engages in energy trading in Spain, Portugal, France, Switzerland, Germany, Austria, Belgium, Netherlands and Italy, and also gas trading in Europe and Asia.
Source: Iberdrola. Information at end of 2006.

In Latin America, which generated 19.4% of net profits in 2006, Iberdrola is primarily focused on Mexico, where it is the largest private-sector producer, Guatemala (the leading supplier) and Brazil (the leading supplier in the northeast of the country). In 2007, Iberdrola beat General Electric and Siemens to win the tender to upgrade the Laguna Verde nuclear plant in the state of Veracruz, Mexico.

Iberdrola's boldest move came in 2006 when it reached a €17.2 billion agreement to take over Scottish Power, one of largest power companies in the UK, and create the third-largest European energy company by enterprise value, a more accurate estimate of take-over cost than market capitalisation as it includes other factors (see Figure 19). The deal consolidated Iberdrola's leadership in the renewable energy market and gave it a broader geographic scope and a strong platform for future growth.

Figure 19. Enterprise Value (€ billion) (1)

	Enterprise Value
EDF	108
Eon	70
Iberdrola + Scottish Power	**64**
Iberdrola	44
Scottish Power	20

(1) Market capitalisation and exchange rates at November 28, 2006. Net debt excludes provisions and includes minority interests.
Source: Iberdrola.

Scottish Power's has 1,650MW of wind-powered generation and gas storage facilities in the US, the market targeted by Iberdrola for future growth, through its subsidiary PPM. Iberdrola's interest in the US dates to 2000, when it studied an offer for Florida Power & Light, now the world's second-biggest 'clean generator', but which did not go ahead because of opposition from Iberdrola's shareholders. Iberdrola has several renewable energy investments in the US including CPV Wind Ventures, based in Maryland, and Community Energy, based in Pennsylvania. In 2007, Iberdrola further enhanced its presence in the US by acquiring Energy East, an integrated power group serving about 3 million customers in New York, Maine, Massachusetts, New Hampshire and Connecticut, for €3.4 billion.

Unión Fenosa

The other Spanish power company with a foreign presence is Unión Fenosa whose internationalisation has been almost entirely concentrated in Latin America, particularly Mexico where, after Iberdrola, it is a leading private sector producer of electricity (see Figure 20). Its Hermosillo power plant was the first one to start operating in 2001 as a result of the opening-up of electricity production in Mexico to the international private sector. In 2006, 60% of its 8.7 million electricity and gas customers were in countries other than Spain

Figure 20. Unión Fenosa's Main International Presence

	Electricity Generation	Electricity Distribution	Renewable Energy
Colombia		√	√
Costa Rica			√
Dominican Republic	√		
Guatemala		√	
Mexico	√		
Nicaragua		√	
Panama		√	

Source: Unión Fenosa.

Fenosa will focus on Mexico as a growth market. Its projects include building generation capacity in the border state of Baja California to export electricity to California, a state that has suffered major power cuts.

Gamesa

Gamesa is the world's second-largest manufacturer of wind turbines after Denmark's Vestas and the largest promoter of wind farms, with a global market share of just under 16%. By the middle of 2007, Gamesa had installed 10,000MW of wind energy capacity in 20 countries and had another 10,000MW in the pipeline. In 2006, it launched its first production plant in China and four more on Pennsylvania.

Construction and infrastructure

There are six large international construction and infrastructure companies that have found the Spanish market too small and have catapulted themselves onto the international market through domestic mergers and acquisitions abroad.

Ferrovial

The most international is the majority family-owned Ferrovial, which started out building Spanish railways in the 1950s, and in 2006 led a consortium that purchased the UK airports operator BAA, the world's biggest private-sector airports business that owns the three main airports serving London –Heathrow, Gatwick and Stansted– and six others for €23.6 billion including debt. Airports are seen as substantial generators of revenues. Ferrovial also owns Owen Williams, a UK engineering group, Swissport, the world's largest airport handling company, the US construction group Webber and 20.7% of Sydney airport (see Figure 21). Ferrovial was no stranger to the UK when it acquired BAA as it already operated Bristol airport with the Australian firm Macquarie and in 2003 bought Amey, the services and project-management group that runs and maintains three of London's underground rail lines (Jubilee, Northern and Piccadilly).

Figure 21. Ferrovial's Main Activities in the World (1)

Americas	
Canada	Toll road: 407 ETR. Handling
Chile	Five toll roads, Cerro Moreno airport and construction
US	Chicago Skyway and Indiana toll roads, Webber (construction), Trans-Texas corridor
Europe	
Greece	Toll road and construction
Ireland	Two toll roads, Belfast airport and construction
Italy	Toll road, construction and handling
Poland	Handling, construction (Budimex) and real estate
Portugal	Three toll roads and construction
Switzerland	Swissport and handling
UK	BAA, Amey (services), Bristol airport, handling and construction
Asia	
Australia	Sydney airport

(1) At end of 2006.
Source: Ferrovial.

Ferrovial has also broken into the US market. Cintra, its toll-road operator, has a 99-year concession to operate the Chicago Skyway and in partnership with Macquarie it won a 75-year concession to operate the Indiana Toll Road. Altogether Ferrovial operates 22 motorway concessions around the world covering 2,500 km. Cintra is also developing, with the state of Texas, a new cross-state corridor.

The volume of international sales in 2006 (59% of the total) was higher than domestic sales for the first time, largely due to the inclusion of BAA and Owen Williams. International activity generated 73% of earnings before interest, taxes, depreciation and amortisation (EBITDA) of €2.32 billion in 2006, up from 54% of the €1.13 billion in 2005 (see Figure 22). As a result of the surge in its expansion abroad, Ferrovial's net profit more than tripled in 2006 to €1.42 billion.

Figure 22. Ferrovial's EBITDA by Geographic Area (% of total) (1)

	2005	2006
Spain	46	27
Canada and US	22	15
UK	17	45
Chile	7	5
Poland	1	1
Other European countries	8	5
International total	54	73

(1) 2006.
Source: Ferrovial.

Acciona

Acciona, also majority family-owned, teamed up with Italy's Enel in 2007 to take over Endesa, Spain's largest electricity company, and abroad it has been very active. 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 Italy, Portugal, Dubai and Algeria and is building the world's largest desalination plant at Carlsbad, California. 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 and the fourth in the world on the basis of sales (see Figure 23). In 2006 it paid €1.26 billion for 25% of Hochtief, making it the German company's largest 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 is particularly attractive for ACS which is seeking greater international expansion.

Figure 23. World's Largest Construction Companies, 2006

Company	Sales (€ million)
1. Bouygues (France)	26,408
2. Vinci (France)	25,634
3. Hochtief (Germany)	15,000
4. ACS (Spain)	**14,067**
5. Skanska (Sweden)	13,502
6. Ferrovial (Spain)	**12,355**
7. Eiffage (France)	10,745
8. Colas (France)	10,717
9. Taisei (Japan)	10,174
10. FCC (Spain)	**9,481**

Source: Bloomberg, ACS.

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 three 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 infrastructure company, the largest in Europe in terms of market capitalisation and number of projects, owns three British airports, Luton, Belfast and Cardiff, and is the main shareholder in Eutelsat, the European satellite dish operator (see Figure 24). In 2006, Dragados, another arm of ACS, was awarded its first contract in Poland (the construction of a ring road).

Figure 24. Main International Activities of Abertis

	Motorways	Airports	Car Parks	Telecoms Infrastructure
Argentina	√			
Bolivia		√		
Canada	√			
Chile	√		√	
Colombia	√	√		
France	√			√
Italy	√		√	
Morocco			√	
Portugal	√		√	
Sweden	√			
UK	√	√		

Source: ACS.

FCC

Fomento de Construcciones y Contratas (FCC) was created in 1992 from the merger of two companies and operates in the construction, service and cement sectors. Its international activities include full-service water management in Argentina, Italy and Brazil, 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 and passenger terminal management in Chile. It even has 16 technical vehicle inspection stations in Argentina. In 2007, FCC won Mexico's largest-ever water-project contract and through its UK subsidiary, Waste Recycling Group, it won a contract with the Welsh municipality of Wrexham to manage its municipal waste for 25 years.

FCC is the third-largest services company in Europe and the world's eighth-biggest cement producer (the fourth on the US east coast). In 2006 18% of its total revenues of €9,481 million were generated abroad (see Figure 25). Environmental services provided 38% of the revenue of €1,718 million, construction 29% and cement 21%.

Figure 25. FCC's International Revenues by Geographical Area (1)

	% of Revenues
Western Europe (ex. Spain)	39
Central and Eastern Europe	25
Latin America	17
US	16
Others	3

(1) As a percentage of the revenues of €1,718 million.
Source: FCC.

Sacyr Vallehermoso
Sacyr Vallehermoso (SyV) acquired almost one-third of Eiffage, the third-largest French construction and engineering group, in 2006 for €1.78 billion and 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. SyV also has water management and engineering interests in Portugal and Brazil and construction projects in Chile and Costa Rica. In 2006, 22% of its net revenues of €4,684 million came from activities outside of Spain

Even though they are big, Spain's construction companies sometimes team up with their rivals. In 2007, the consortium of SyV and FCC won a 35-year concession for the M50 motorway in Dublin. This was their second concession in Ireland.

OHL
OHL entered the US construction 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, after purchasing a company in 2003, has major infrastructure projects in Mexico and Chile and in Turkey is renovating the railway between Ankara and Istanbul. Sales abroad in 2006 amounted to €1,365 million, 42% of total sales and up from €663 million (30%) in 2004. Mexico generated 9.2% of total sales, the Czech Republic 7.5% and the US 5.9%.

Other multinationals

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. Acerinox sells to more than 80 countries.

Aguas de Barcelona (Agbar)
Agbar, in which France's Suez is a major shareholder, owns Chile's Aguas Andinas which engages in total water management in the basin of Santiago de Chile. In Mexico, Agbar is the operating partner of the company responsible for managing the drinking water supply and sewerage systems in Saltillo. Its biggest investment is in the UK where in 2006 it acquired Bristol Water Group for €256.6 million.

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.

Indra
Indra, Spain's leading information technologies and defence systems company, has a subsidiary in Florida 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 and it has projects in other parts of the

world (see Figure 26). In 2006, 33% of its total revenues of €1,406 million were generated abroad.

Figure 26. Highlights of Indra's International Projects

Americas	
Brazil	Surveillance systems to control the Amazon and maritime zones
Chile	Technological modernisation of the Valparaiso Port enlargement
Colombia	Monitoring systems and train traffic management for Medellin Metro
Mexico	Ticketing system for suburban railway line in Mexico City
US	Indiana toll road systems, upgrading of 8 H-60 Seahawk helicopter simulators
Europe	
France	Maintenance and development of France Telecom's loyalty systems
Germany	Electronic defence systems for submarines
Portugal	Digital health information system
Turkey	Simulation systems of radar signs scenery and disruptions generation
Asia	
China	Traffic control systems and toll gates in three highways
Africa	
Morocco	Traffic management systems

Source: Indra.

La Seda

La Seda, the textiles and chemicals group, is one of Europe's largest producers of artificial and synthetic fabrics and yarns, such as polyester, polythene and viscose. In July 2007 it agreed to buy the seven European plants of Australia's Amcor, the world's largest maker of plastic soft drink bottles, for €425 million, and in 2006 it acquired Turkey's textiles group Advansa, which also has plants in the UK and Rumania, for €320 million.

Mapfre

Mapfre is Latin America's leading non-life insurance group in terms of premium income (see Figure 27). Its market share of the region's life and non-life business is more than 4%. In 2006 41% of total premium income came from Spain, 26% from the Americas and 25% from the rest of Europe. In 2007, Mapfre paid €285 million for 80% of Genel Sigorta, Turkey's sixth-largest insurance company. This was Spain's second-largest investment in the EU candidate country.

Figure 27. Top Five Non-Life Insurance Companies in Latin America

	Country	Market Share (1)
1. Mapfre	**Spain**	**6.1**
2. AIG	US	6.0
3. ING	Netherlands	5.7
4. GNP	Mexico	5.5
5. Bradesco	Brazil	4.4

(1) 2005.
Source: Mapfre.

Metrovacesa

The property company Metrovacesa acquired France's Gecina in 2005 for €5.5 billion and in 2007 it bought the HSBC tower in Canary Wharf, London, for €1.6 billion, the largest single property transaction to date.

Mondragón Cooperative Corporation (MCC)

The success of MCC, the largest cooperative group in the world and one of the 10 largest companies in Spain, shows that worker ownership is not an obstacle to becoming a significant multinational. Founded in 1956 in the Basque Country by the priest José María Arizmendiarrieta, MCC has 65 production subsidiaries in 18 countries which manufacture everything from automotion components to timber machinery (see Figure 28).

Figure 28. MCC's Main Production Activities in the World

Americas	
Brazil	Taps and safety systems, casting of automotion components, coaches, dies for automotion sector
Mexico	Valves, components for electric cooking, catering equipment, coaches
US	Camping and fitness equipment, bicycles
Europe	
Czech Republic	Rubber parts, taps and safety systems, electric hotplates, casting, automotive components
France	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
South Africa	Coach manufacture
Asia	
India	Coach bodywork
China	Components, automation and control, mini domestic appliances, coach manufacture
Thailand	Surface and axial mounting of discrete semiconductors

Source: MCC.

MCC, in the words of Jesús Larrañaga, one of the founders of Fagor Electrodomésticos, the home appliances market leader in Spain and Europe's fifth-biggest manufacturer with an overall market share of around 6%, 'uses a dual model, operating as a cooperative wherever feasible and as a capitalist company elsewhere'.[4] MCC's bank gives it financial independence and its workers are highly motivated. The main current project is the construction of a business park in Kunshan, China, where four plants were being located: Orkli (safety components for domestic appliances), Wingroup (exercise equipment and tents), Orbea (bicycles) and Oiarso (healthcare material). In 2006, China took over from Spain as the leading market for Fagor Automation and Asia overtook Europe.

NH Hoteles

NH Hoteles has 337 hotels in 21 countries in Europe, the Americas and Africa and is ranked third among European business hotels. In 2006, it was the fastest-growing hotel chain in Europe. Around 70% of revenue comes from abroad.

Prisa

Prisa, whose newspaper *El País* is the leading daily in Spain, is the largest education, information and entertainment business group in Spanish-speaking markets. It is present in 22 countries through brands such as *El País*, 40 Principales, Unión Radio, a network of radio stations, and the publishing houses Santillana and Alfaguara. International, whose activity generated 15% of Prisa's operating income in 2006.

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, Romania, Spain and Uruguay.

Sol Meliá

Sol Meliá's 219 hotels in 34 countries (407 including Spain) on four continents make it the world's 12th-largest hotel chain and the largest resort hotel chain (see Figure 29). 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

[4] See *El País Vasco*, May 4, 1998.

the building of a hotel in the then relatively unknown, but now very fashionable, destination of Bali.

Figure 29. Sol Meliá Hotels Around the World

Country	Country
Europe	Chile 1
Belgium 1	Colombia 1
Croatia 16	Costa Rica 3
Cyprus 1	Cuba 26
Czech Rep. 1	Dominican Republic 5
France 16	Mexico 10
Germany 16	Panama 1
Greece 8	Peru 1
Ireland 2	Puerto Rico 1
Italy 23	Uruguay 1
Monaco 1	US 1
Netherlands 3	Venezuela 2
Portugal 27	**Africa**
Rumania 1	Egypt 5
Spain 188	Tunis 3
Sweden 3	**Asia**
Switzerland 2	Indonesia 5
UK 7	Malaysia 1
Americas	Vietnam 1
Argentina 3	**Total 219**
Brazil 20	

Source: Sol Meliá.

Family-owned multinationals

As well as Ferrovial and Acciona, there are other majority 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, a vertically-integrated clothing manufacturer and marketer with 3,253 stores around the world in mid-2007 including Spain (see Figure 30). In March 2007, Inditex overtook GAP and its network of stores became the world's second-largest after Italy's Benetton.

Inditex's IPO in May 2001 turned Amancio Ortega, the founder and majority owner, into the world's 18th-wealthiest person (US$10.3 billion) in the *Forbes* magazine's annual ranking, a quarter the level of Bill Gates. Ortega's empire began with a lingerie workshop set up with his first wife. One of the keys to Inditex's success is its just-in-time manufacturing capabilities and state-of-the-art information systems which enable it to keep low stocks in stores and respond very quickly to market trends and needs.

The US magazine *Business Week*, which in 2007 ranked Inditex the seventh European company with the best financial performance, said the company stood out for a business model based upon a quick rotation of the offer: 'the faster the clothes change, the more often customers return to check out the new offering'.

Figure 30. Inditex's Stores (1)

	Outside Spain	In Spain
Zara	740	292
KC/Skhuaban	30	168
Pull and Bear	186	267
Massimo Dutti	176	227
Bershka	217	234
Stradivarius	93	234
Oysho	99	122
Zara Home	69	99
Total	1,610	1,643

(1) At June 15, 2007.
Source: Inditex.

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. Like Inditex, it is able to quickly meet the needs of each market.

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. In 1974 the Talgo became the first high-speed sleeper train in the world (covering the Barcelona-Paris route). Another later feature is the suspension, which makes carriages tilt as they enter a curve and allows for higher speeds without passenger discomfort.

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.

Conclusion

Direct investment abroad has made parts of corporate Spain significant actors on the global stage in their own right. By expanding beyond Spain the more than 30 companies and banks mentioned in this paper (and there are others) have become bigger and stronger and so able to better defend their interests at home from predators and considerably boost and diversify their sources of income. But have some of them tied a disproportionate share of their future wellbeing to Latin America? So far they have demonstrated a notable capacity of resistance to the periodic crises that hit the region –the *tequilazo* in Mexico in 1994, when investment in the region was just beginning, and the *tangazo* in Argentina in 2002, at the height of the first phase of investment–. Hardly any Spanish companies, unlike some from other countries, have pulled out of the region; they look as if they are there for the long haul come what may.

Latin America, which has enjoyed macroeconomic stability as a whole over the past decade and strongly so in some countries, now accounts for a significant share of profits. The seven main investors in Latin America –Santander, BBVA, Telefónica, Repsol YPF, Iberdrola, Endesa, Unión Fenosa and Gas Natural– accounted for close to 70% of the Ibex-35 index of the Spanish stock exchange in the middle of 2007, a greater degree of concentration than that of other European indices such as Germany's DAX, France's CAC and the UK's FTSE 100. A really big crisis in Latin America would send their shares tumbling and hence the stock market as a whole, and have an impact on the bottom line of the most exposed companies and banks to varying degrees.

The question is whether the risks now in Latin America are greater than they were in the past. The answer to that would seem to be no, particularly in the two big countries, Mexico and Brazil,[5] and even more so in the much smaller Chile, the region's star economy. These three countries (and Argentina) account for the lion's share of investment in Latin America. Venezuela and Bolivia, however, under their left-wing populist Presidents, are problematic countries and Argentina's future is equally unpredictable. Two US oil majors, ConocoPhillips and ExxonMobil, walked away from Venezuela during 2007 after they refused to accept the new terms for heavy-oil producers under which they would be junior partners to PdVSA, the state oil company, and expected to write cheques for new investment over which they would not have full control. Repsol YPF's heavy-oil interests in Venezuela are comparatively not very significant, but there is no guarantee that similar actions will not be made against it in other parts of the country's oil industry.

The diversification of investment away from Latin America and into Europe, particularly the UK, and into the US and to a lesser extent Asia is a healthy move. It has reduced exposure to Latin America, the most vulnerable area, and is producing a steady stream of income. All in all, Spain's push abroad has been highly positive, but not without problems and it would be surprising if there were not more to come in the future.

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[5] In 1941, the Austrian writer Stefan Zweig prophesided in a book that Brazil was the land of the future. This gave rise to the joke many years later that 'Brazil is the country of the future and always will be', a land forever destined never to fulfil its huge potential. At that time Argentina was also talked about as one of the world's richest countries.