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Image and Reality: Contemporary Spain

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Introduction

Spain's progress over the last 30 years to become the world's eighth-largest economy in nominal terms (ahead of Canada, but unlike that country not a member of G-8) and one of the biggest outward direct investment nations is not matched by the perceptions abroad of the country. Generally speaking, Spain is still viewed, to a varying extent, as a land of s*iesta* and f*iesta* (with the world's biggest food fight every year when thousands of people in a village throw more than 240,000 pounds of tomatoes at one another). This is fine for the country's flourishing tourism industry (the world's second largest in terms of the number of visitors and receipts), but not when it comes to exporting its products and being taken as a serious and effective nation. Few developed nations have progressed so much in this relatively short span of time and yet still have a significant gap between how it and its companies are perceived abroad and the country's business and socioeconomic reality (see Figure 1).

This ignorance was amusingly illustrated when José María Aznar, the former Prime Minister (1996-2004), visited the ranch in Texas of President George W. Bush at a time when Spain was producing around two million cars a year and was the world's eighth-largest manufacturer. Before seeing Bush, Aznar chatted with one of his close advisors. The conversation went as follows: 'And what is the chief product exported by Spain?', the advisor asked. 'Cars', replied Aznar. 'No, I am asking about the number one product that Spain exports'. 'Cars', repeated Aznar. 'No, no, what I want to know is which Spanish product sells most successfully abroad'. 'Yes, cars, cars', repeated an exasperated Aznar.[2]

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[1] Based on a series of conferences to be given by William Chislett in November and December 2008 at New York University, the Wharton School of the University of Pennsylvania, Suffolk University (Boston), the University of Chicago, Georgetown (Washington) and the London School of Economics. He would like to thank Raúl Peralba, Chairman of Positioning Systems, for sending him an unpublished manuscript and for his comments, Tim Simmons, a global branding specialist, and Miguel Otero, General Manager of the Leading Brands of Spain Forum, for reading this text. He also acknowledges help from Javier Noya, the analyst at the Elcano Royal Institute for Spain's international image and public opinion, and Simon Anholt.

[2] Cited in 'El valor de la "marca" España', by José Luis Barbería, *El País*, 19/VI/2006.

Figure 1. Spain Today: Some Economic and Socioeconomic Realities (1)

Global Ranking	Description
Top 10	Eighth-largest economy in nominal terms and seventh in purchasing power parity terms
Top 20	Sixteenth in the EIU's Democracy Index, ahead of the US
Top 5	Fifth-largest outward direct investment country and the second in Latin America after the US
Top 10	Seventh-largest recipient of foreign direct investment
Top 15	13th in the United Nations' Human Development Index
Top 5	Fourth-longest life expectancy at birth along with Australia, France and Sweden
Top 5	Second largest tourist destination in terms of visitors and receipts
Top 5	Third largest producer of cars in Europe after Germany and France
Top 5	World's largest international manager of infrastructure
Top 5	Fourth in development of renewable energy
Top 5	Biggest producer and exporter of olive oil
Top 5	Biggest producer and exporter of sparkling wine (*cava*)

(1) The figures are the latest available.
Source: IMF, Economist Intelligence Unit, UN Human Development Report 2007/2008, World Investment Report 2008 (UNCTAD), ANFAC and World Tourism Organisation.

Spain has been transformed in many ways. Its transition from the 39-year dictatorship of General Franco, who died in 1975, to democracy was achieved with little bloodshed and has been a banner for other countries, particularly in Latin America. Its formerly autarchic economy is today one of the most open economies (in terms of exports and imports as a percentage of GDP). The country's main companies and banks have become multinationals and the leading players in several economic sectors in Latin America and Europe. The best known Spanish company abroad, however, is probably the Real Madrid football club and not one of these multinationals. And in less than a decade, it has received more than 4.5 million immigrants, increasing its population by 10% (a proportionately greater increase than any other European country) and sharply reversing the previous trend of net migration. Few of these changes, however, are widely known abroad.

The Economy

Spain's GDP, in market terms, has risen by a factor of 14 since 1975 to US$1.4 trillion, making it the fifth largest in the EU after Germany, the UK, France and Italy . Many factors have contributed to this progress. The most significant catalysts have been Spain's membership of the EU since 1986 and being one of the founder members in 1999 of European Monetary Union (EMU) and the euro, the single currency which became legal tender in 12 of the then 15 EU Member States as of 2002. After spending close to half of the 20th century in isolation from Western Europe, Spain qualified, for the first time, to be at the vanguard of a European movement. The political democracy required to be an EU member, the macroeconomic stability needed for EMU membership and the continuation of sensible economic policies since then (for example, lowering the budget deficit and public debt levels in GDP terms) locked Spain into a sustained and unprecedented virtuous circle of non-inflationary growth that has been above the EU average every year since 1995. Only in 2008 did the economy slow down dramatically and looked as if it would dip into recession in 2009. Spain's per capita GDP moved from 74% of the EU-15 in 1980 to a forecast 95.3% in 2008 when it was higher than Italy's (see Figure 2). And this increase in per capita wealth was achieved despite a very big increase in Spain's population from the influx of immigrants (see the section below).

Figure 2. Per Capita GDP at Current Market Prices in Purchasing Power Parity (EU-15 = 100)

	1960	1970	1980	1990	2000	2008 (1)
France	93.9	99.3	103.2	100.3	100.4	99.4
Germany (2)	130.6	123.8	124.6	123.5	103.1	102.0
Italy	86.1	94.0	100.0	102.1	101.7	90.0
Spain	**61.8**	**75.3**	**74.0**	**77.0**	**84.7**	**95.3**
UK	117.8	98.4	90.3	93.3	101.7	103.8

(1) Forecast.
(2) 1960-91 including Germany prior to unification.
Source: Eurostat.

At the macroeconomic level, Spain's fundamentals have improved substantially. The levels of its public debt and general government balance, but not inflation, are among the best in the EU (see Figure 3) and the tax system is much more efficient, although tax evasion and fraud remain comparatively high. Between 1975 and 2007 Spain's total tax revenue doubled as a percentage of GDP, albeit from a very low base (see Figure 4). As a result of the sharp economic downturn in 2008, however, the general government balance and public debt are deteriorating but from a relatively good starting position, and the economy is still not very competitive.

Figure 3. Public Debt and General Government Balance (% of GDP), 2007

	France	Germany	Italy	Spain	UK	EU average
Public debt	64.2	65.0	104.0	**36.2**	43.8	58.7
General Gov. balance	-2.7	0.0	-1.9	**+2.2**	-2.9	-0.9
Average annual rate of inflation	1.6	2.3	2.0	**2.8**	2.3	2.3

Source: Eurostat.

Figure 4. Total Tax Revenue as Percentage of GDP, Selected Countries

	1975	2007 (1)
France	35.4	43.6
Germany	34.3	36.2
Italy	25.4	43.3
Spain	**18.4**	**37.2**
UK	35.2	36.6
OECD total	29.4	35.9

(1) Provisional and 2006 for the OECD.
Source: OECD.

Spain was ranked 29th out of 134 countries in the 2008-09 Global Competitiveness Index of the World Economic Forum (see Figure 5). This ranking, based on objective data and opinion surveys among leaders, puts Spain well below its position as the eighth-largest economy and underscores the country's problem as one that is perceived as being weaker than it really it is.

Spain is ranked even lower (49th out of 181 countries) in the latest Ease of Doing Business ranking produced by the World Bank (see Figure 6), below Armenia (44th), Botswana (38th) and Bulgaria (45th). According to the World Bank, it takes 47 days in Spain to satisfy the authorities that you are fit to establish and register a legal business compared to seven in France, 18 in Germany and 13 in the UK. However, this is nothing compared with the 152 days in Brazil. INTERES, the government's inward foreign investment agency, takes issue with the World Bank's rankings, as one would expect, because they put Spain in an unfavourable light in the eyes of potential foreign investors. The overall ranking is based on a narrow selection of indicators compared with other broader rankings such as the IMD's World Competitiveness Yearbook (which ranked Spain 33rd out of 55 countries in 2008), and does not take into account such important variables for investors as the size of the domestic market, the proximity to other markets or macroeconomic stability. Nevertheless, it seems to have done Spain no harm: the country received the seventh-largest amount of inward foreign direct investment in 2007 (FDI) and its stock of FDI (US$537.4 billion) is the world's sixth largest.

Figure 5. Global Competitiveness Index, Selected Countries and Ranking (1)

Country	Country
1. US	11. Hong Kong
2. Switzerland	12. UK
2. Denmark	13. South Korea
4. Sweden	14. Austria
5. Singapore	15. Norway
6. Finland	16. France
7. Germany	17. Taiwan
8. Netherlands	18. Australia
9. Japan	19. Belgium
10. Canada	**29. Spain**

(1) Out of 134 countries.
Source: Global Competitiveness Report, World Economic Forum.

Figure 6. Spain's Rankings in the Components of Doing Business (1)

Category	Rank
Ease of doing business	49
Starting a business	140
Dealing with construction permits	51
Employing workers	160
Registering property	46
Getting credit	43
Protecting investors	88
Paying taxes	84
Trading across borders	52
Enforcing contracts	54
Closing a business	19

(1) Out of 181 countries.
Source: World Bank, Doing Business, 2009.

Figure 7. Top Ten Countries by Inward Foreign Direct Investment Flows, 2007

Country	US$ billion
1. US	232,839
2. UK	223,966
3. France	157,970
4. China	156,706
5. Canada	108,665
6. Netherlands	99,438
7. Spain	**53,385**
8. Russian Federation	52,475
9. Germany	50,925
10. Belgium	40,628

Source: World Investment Report 2008, UNCTAD.

The structure of the economy has changed significantly in the past 20 years (see Figure 8). When Franco died in 1975 agriculture accounted for 20% of jobs and 10% of GDP. Today, the sector provides fewer than 4% of jobs and generates less than 5% of GDP. There are more students in Spain's universities (around 1.4 million) than people working in agriculture and fisheries (less than 900,000). This is testimony to the shrinking of the sector and the 'massification' of the country's universities. But the economy is not viewed from abroad as a very modern one as it is still very dependent on the construction sector and tourism (together, at their peak, these sectors generated close to one-third of Spain's GDP). And because food products, generally non-processed, are an important part of Spain's exports the image persists that the country exports little else, although this is far from the case (see Figure 9).

Figure 8. Structure of Spain's Gross Domestic Product (% of total)

	1975	2007
Primary sector	10.1	3.6
Secondary sector	38.0	30.2
Tertiary sector	51.9	66.1

Source: OECD and National Statistics Office.

Figure 9. Structure of Spain's Exports, 1986 and 2007 (% of the total)

	1986	2008 (1)
Food	16.2	13.8
Energy products	6.3	5.9
Raw materials	3.2	2.0
Semi-manufactured goods	17.3	13.0
Chemical products	8.6	13.4
Capital goods	17.3	20.5
Automotive industry	15.4	19.1
Consumer durables	15.8	10.0
Other goods	–	2.3

(1) First seven months.
Source: Spanish Customs.

Spain exports a diversified range of products, from oddities such as lollipops (Chupa Chups) to information and air traffic control systems (Indra is a world leader), space navigation equipment (GMV) and a lot of cars. As a result of its strong motor industry (entirely owned by multinationals), Spain is also the European leader in components for vehicles (in Spanish hands). Nevertheless, Spain is far from being a high-tech country –less than 6% of total exports have a high-tech element (see Figure 10) and spending on R&D is still only 1.2% of GDP, about half the EU-15 average–. Spain is the only OECD country that spends roughly the same amount on lotteries and gambling every year as on R&D, though spending on this item has been rising under the Rodríguez Zapatero government at a much faster pace as it needs to do if the country has to have any chance of transforming itself from an economy too much based on 'bricks and mortar' to one based more on knowledge.

Figure 10. High-Tech Exports of Selected EU-25 Countries (1)

	% of world high tech exports	% of the country's total exports
Germany	7.9	14.8
France	4.86	19.1
UK	4.68	22.1
Netherlands	4.52	20.3
Italy	1.42	6.9
Finland	0.80	22.1
Spain	**0.60**	**5.7**
Czech Republic	0.50	11.7
Poland	0.16	3.2

(1) 2007 figures and Including intra-EU exports.
Source: Eurostat.

Despite the notable successes of some companies, Spain is not a major exporter. Its share of the world's merchandise trade has remained stuck at less than 2% for more than 10 years (see Figure 11); the trade deficit is the main component of Spain's gaping current account deficit –the broadest measure of the nation's commerce with the rest of the world– which has been running at about 10% of GDP. Spain's share of the world's commercial services trade, however, is much higher than that of merchandise trade at 3.7%.

Figure 11. Leading Exporters and Importers in Merchandise Trade, Selected Countries

Rank Exporters 2007	US$ million	% share	Rank Importers 2007	US$ million	% share
1. Germany	1,317,604	9.5	1. US	2,017,330	14.4
2. China	1,218,000	8.8	2. Germany	1,051,545	7.5
3. US	1,162,980	8.4	3. China	955,800	6.8
4. Japan	709,668	5.1	4. Japan	619,857	4.4
5. France	549,679	4.0	5. UK	615,462	4.4
7. Netherlands	547,201	4.0	7. France	610,955	4.3
8. Italy	488,239	3.5	8.. Italy	501,104	3.6
9. UK	434,899	3.1	9. Netherlands	488,429	3.5
17. Spain	239,416	1.7	**11. Spain**	**370,097**	**2.6**

Source: UNCTAD.

The economy is paying a high price for having concentrated so much on the construction sector (homes and infrastructure) which at its peak represented 17% of GDP. Spain's housing starts in 2006 were more than France, Germany, Italy and the UK combined. This labour-intensive sector, driven to a significant extent by immigrant workers, has slumped and the unemployment rate is rising at the fastest pace in the EU, after having declined the quickest. The number of jobless in October was 2.8 million, 37.6% higher than a year earlier and more than 11% of the workforce (8.3% at the end of 2007). Rather belatedly, the government's emphasis now is to move from 'bricks and mortar' to a knowledge-based economy. This push, however, is hindered by the still relatively low spending on R&D and a woefully inadequate education system.[3] One of the most worrying issues is the rate of early school leavers which is one of the highest in the EU: in 2007 31% of students left school early before completing their school leaving certificate (see Figure 12). Many were encouraged to do so by the ease with which they could find jobs in the construction and tourism sectors, but this is no longer the case.

[3] Alfredo Pastor, a former Secretary of State for the Economy and economics professor at the Iese business school in Barcelona, describes primary education as 'pretty bad' and secondary education as 'terrible' (see the *Financial Times* survey on Spain, 15/X/2008).

Figure 12. Early School Leavers in Selected EU-27 Countries (% of population aged 18-24) (1)

Country	%	Country	%	Country	%
Malta	41.7	Germany	13.8	Sweden	12.0
Portugal	39.2	France	13.1	Finland	8.3
Spain	**29.9**	UK	13.0	Poland	5.6
Italy	20.8	Hungary	12.4	EU-27	15.3

(1) Comparative figures for 2006.
Source: Eurostat.

While there is no Spanish university among the top 150 in the global ranking produced by Shanghai's Jiao Tong University, Spain does have world-class business schools (which teach in English). Spain is the only country in Europe other than the UK with three of the top-ranked business schools (IE, Iese and ESADE) in the *Financial Times'* MBA league table of the 100 best business schools. IE was also ranked high (5th) in the *Financial Times'* Executive MBA league. These schools are providing the country with first-class executives and have helped companies to internationalise. Iese and ESADE, founded in the 1950s in Barcelona, were among the first three schools in Europe (along with INSEAD) to introduce the MBA, ahead of Switzerland, the UK and the Netherlands, even though Spain at the time was one of the poorest countries in Western Europe.

Tourism

Spain practically invented mass tourism in the 1960s, and today the predominant image is that of a country whose beaches are swamped every year with foreigners soaking up sun and drinking sangría. What is much less known is that Spain almost tops UNESCO's World Heritage List for historic buildings, towns and landscapes (see Figure 13). Spain has 40 buildings, towns and landscapes in Unesco's latest World Heritage List, three fewer than Italy, and this despite being a late joiner in 1984. The list is wide and testimony to Spain's situation as a cradle of different cultures and civilisations. It takes in almost the entire history and geography of Spain, including Atapuerca near Burgos, where archaeologists discovered human bones in the late 1990s that date back 800,000 years (see Figure 14).

Figure 13. World Heritage List, Top Ten Countries (1)

Country	Number
1. Italy	43
2. Spain	**40**
3. China	37
4 =. Germany	33
4 = France	33
6 =. UK	27
6 =- India	27
6 =. Mexico	27
9. Russian Federation	23
10. US	20

At October 2008.
Source: UNESCO.

Figure 14. Spanish Sites on the World Heritage List (1)

Alhambra, Generalife and Albayzín, Granada
Burgos Cathedral
Historic Centre of Cordoba
Monastery and Site of the Escorial, Madrid
Works of Antoni Gaudi
Cave of Altamira and Paleolithic Cave Art of Northern Spain
Monuments of Oviedo and the Kingdom of Asturias
Old Town of Ávila with its Extra-Muros Churches
Old Town of Segovia and its Aqueduct
Santiago de Compostela (Old Town)
Garajonay National Park
Historic City of Toledo
Mudejar Architecture of Aragon
Old Town of Cáceres
Cathedral, Alcázar and Archivo de Indias in Seville
Old City of Salamanca
Poblet Monastery
Archaeological Ensemble of Mérida
Route of Santiago de Compostela
Royal Monastery of Santa María de Guadalupe
Doñana National Park
Historic Walled Town of Cuenca
La Lonja de la Seda de Valencia
Las Médulas
Palau de la Música Catalana and Hospital de Sant Pau, Barcelona
Pyrénées – Mont Perdu
San Millán Yuso and Suso Monasteries
Rock Art of the Mediterranean Basin on the Iberian Peninsula
University and Historic Precinct of Alcalá de Henares
Ibiza, Biodiversity and Culture
San Cristóbal de La Laguna
Archaeological Ensemble of Tárraco
Archaeological Site of Atapuerca
Palmeral of Elche
Catalan Romanesque Churches of the Vall de Boí
Roman Walls of Lugo
Aranjuez Cultural Landscape
Renaissance Monumental Ensembles of Úbeda and Baeza
Vizcaya Bridge
Teide National Park

At October 2008 and arranged in order of when they were first included in the list.
Source: UNESCO.

Banking System

If there is one sector of the Spanish economy which belies the county's image it is the private sector commercial banking sector, particularly its two giants, Grupo Santander and BBVA. While banks have crumpled throughout the US and Europe, Spain's have held their heads high, despite a crash in the country's property market, one of the most elevated in GDP terms. Indeed, the largest bank, Santander, the eurozone's biggest by market capitalisation, snapped up two failed UK banks this year (Alliance & Leicester and Bradford & Bingley) and, coupled with the one it bought in 2004 (Abbey), catapulted itself into a top spot in the UK in terms of deposits (10% market share) and branches (1,286). Santander also acquired the 75% of Sovereign Bancorp, based in Philadelphia, that it did not already own for a tenth of the price agreed when it took a minority stake three years ago. Sovereign, hit by rising mortgage delinquencies, became the largest savings and loans in the US in September when Seattle-based Washington Mutual Inc collapsed and was absorbed by JPMorgan Chase.

The heads of collapsed banks would have done well to have heeded the advice of Santander's Chairman, Emilio Botín, who, when the magazine *Euromoney* named Santander the world's best bank for 2008, told a City of London dinner in July via a video message broadcast, 'If you don't fully understand an instrument, don't buy it. If you would not buy a specific product for yourself, don't try to sell it. If you do not know your customers very well, don't lend them any money'. 'If you do these three things, you will be a better banker, my son'.

Thanks to innovative counter-cyclical provisioning measures imposed by the Bank of Spain in 2000, which forced the banks to accumulate provisions for non-performing loans (NPLs) during the boom years, very prudent credit risk management, no direct exposure to the US subprime debt crisis or any toxic assets Spanish banks, in general, stand out in the withering global banking scene. The Bank of Spain is a tough and very effective regulator: for example, its heavy penalisation for off-balance sheet transactions such as conduits to invest in high-risk US mortgages deterred banks from getting involved. This does not mean, however, that all of Spain's banks will escape unscathed. Roughly half of the financial system is in the hands of 45 unlisted savings banks (mutuals, known as *cajas*) owned by local governments, the smallest of whom are entirely domestically focused and very exposed to the crisis-hit property sector. As the *cajas* do not have shares they cannot issue equity and run the risk of being deprived of capital. NPLs trebled in the year to August 2008 to 2.5% of total loans, the highest level since May 1998, but were still below the European average and far from Spain's last recession in 1993 when the NPL ratio of commercial banks was 8.4%.

Santander and BBVA, the other big commercial bank, which between them account for around one-quarter of the financial system's total deposits, continued to buck the international trend. Santander increased its net profit (excluding extraordinary income) by 5.5% in the first nine months of 2008 to €6.9 billion and BBVA by 9.1% (excluding extraordinary income) to €4.3 billion. Continental Europe generated 53% of Santander's net profits in the first nine months of 2008 compared with 59% in the whole of 2004 when the bank moved into the UK and bought the mortgage lender Abbey, the UK's sixth-largest bank. The UK accounted for 14% of its profits and Latin America for 33% (41% in 2004), with Brazil providing 11%, Mexico 8% and Chile 6%. In BBVA's case, Mexico generated 31% of its profits, South America 11% and the US 3.7%.

Multinationals

Anyone who had predicted less than a decade ago that Spanish companies today would own the largest mobile telephone company (0_2) in the UK, operate three lines of the London underground and own the country's largest airports (including Heathrow), 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 precisely what has happened, and it is only a small part of the overall picture. Yet Spain's corporate sector is not generally known for its striding of the globe, the most important structural change in the economy of the last 30 years. Italian companies are much better known abroad than Spanish ones –many people can name a couple of them when asked to– although Spain has a much larger outward stock of direct investment (see Figure 15). Spain's stock of US$636.8 billion at the end of 2007 (44.3% of GDP) is substantially higher than its stock of inward investment (US$537.4 billion or 37.4% of GDP) and larger in GDP terms not only of Italy's (24.7%) but also Germany's (37.3%).

Figure 15. Spain's Outward Direct Investment Flows and Stock (US$ billion and % of GDP)

	1990-2000 (annual average)	2003	2004	2005	2006	2007
Outward	15.1	28.7	60.5	41.8	100.3	119.6
Stock as % of GDP	3.0 (1990)					44.3

Source: World Investment Report 2008, UNCTAD.

In the first half of 2008 just under 50% of the revenues of companies in the Ibex-35 benchmark index of the Spanish stock exchange were generated in Spain compared with 65% in 2003 (see Figure 16). The turnover of the Ibex-35 companies in Spain grew 14.4% in the first half to €107.6 billion and that abroad by 20% to €103.1 billion. Based on current trends, the international revenues of these companies will soon overtake domestic ones. Most people have heard of Benetton and know it is Italian. How many people, for example, know that the fashion retailer Zara, part of Grupo Inditex and an Ibex-35 company, is Spanish and not Italian, although it sounds so (perhaps deliberately), and, unlike Benetton, is in the ranking of Interbrand's Best Global Brands? The sales in the international stores of Inditex accounted for 65.2% of the total in the first half (62.2% in the same period of 2007). The group's eight formats opened 249 stores between 1 February and 31 July around the world and commenced activity in two new markets –Ukraine and South Korea–

Figure 16. Revenues by Geographic Zone of Ibex-35 Companies (%), 2003 and 2008 (1)

	Spain	EU	OECD	Other
2003	65.0	9.1	5.4	20.5
2008	51.0	18.6	9.4	21.0

(1) First half.
Source: data sent by companies to the National Securities Market Commission.

The downside of this expansion abroad is that it makes the Spanish stock exchange more vulnerable to crises in those parts of the world, such as Latin America, where the Ibex-35 companies have a significant proportion of their business. This was more the case a few years ago, however. Since then there has been a diversification away from Latin America and into Europe and Asia, making some of the largest players, such as Santander (the international bank with the largest number of branches in the world) and Telefónica (telecoms), less dependent on a particular area. Latin America's economic fundamentals are also generally much better and democracy is more firmly rooted in Brazil and Mexico, the main countries where Spanish companies have invested. Nevertheless, the Ibex-35 is still highly sensitive to negative developments: it plunged 8.1% on October 22, the second-largest fall in its history, after the Argentine government announced it would nationalise pension funds. The hardest hit was the oil and gas conglomerate Repsol YPF –with a third of its business in Argentina– which plummeted 15.7%, its biggest ever one-day fall.

There are also many small and medium-sized Spanish companies, many of them unlisted, with businesses abroad, but the great bulk of international activity is in the hands of a dozen or so companies, all of which are in the Ibex-35. This year's list of Fortune Global 500 largest companies includes 11 Spanish multinationals, two more than in 2007. A decade ago there was no Spanish company in the list. Acquisitions abroad and mergers at home have created a hard core of big Spanish companies (see Figures 17 and 18).

Figure 17. Spanish Companies in Fortune Global 500

Country Rank	Company	Sector	Global 500 Rank	2007 Revenues (US$ millions)
1.	Santander	Banking	58	89,295
2.	Telefónica	Telecoms	76	77,254
3.	Repsol YPF	Oil and gas	92	67,006
4.	BBVA	Banking	134	51,449
5.	Endesa	Electricity	258	30,018
6.	ACS	Construction	270	29,171
7.	Cepsa	Oil	313	25,853
8.	Iberdrola	Electricity	339	23,910
9.	Grupo Ferrovial	Infrastructure	424	20,062
10.	Fomento de Construcciones	Construction	440	19,267
11.	Mapfre Group	Insurance	463	17,984

Source: Fortune.

Figure 18. World Rankings of Spain's Multinationals (1)

Company	Sector	Position
Telefónica	Telecoms	Third largest by number of total customers
Santander	Banking	Fourth by market capitalisation
Repsol-Gas Natural	Energy	Third largest distributor
Grupo Ferrovial	Infrastructure	Second largest transport developer
Prosegur	Private security services	Third
Sol Meliá	Hotels	Largest chain of holiday hotels
NH Hoteles	Hotels	Third largest chain of business hotels in Europe
Iberdrola	Electricity	Largest operator of wind-power farms
Gamesa	Wind turbine engines	Second largest manufacturer
Acerinox	Steel	Third-largest stainless steel producer
Indo	Optical equipment	Leader
Mondragón	Automotive components, home appliances and much else	Largest cooperative group
Pronovias	Bridal wear	Largest seller
Roca	Bathrooms, tiles	Largest producer
Zara	Fashion	Second most valuable fashion brand
Freixenet	Sparkling wine	Leader
Chupa Chups	Lollipops	Second-largest producer
Ebro Puleva	Rice	Leader
SOS Cuétara	Olive oil	Leader
Grupo Antolín	Automobiles	Largest producer of interior liners for cars
Zanini	Wheel trims	Largest producer

(1) As of October 2008. Positions can quickly change. This is the case, for example, of Santander.
Source: prepared by Mauro Guillén and the author.

Both Santander and its big rival BBVA are among the top 50 financial transnational corporations ranked by the Geographic Spread Index (GSI) of the United Nations Conference on Trade and Development (UNCTAD), respectively in 22nd and 35th positions (based on 2006 figures). The GSI is calculated as the square root of the Internationalisation Index (II) multiplied by the number of countries in which a bank has affiliates and the II, in turn, is calculated as the number of foreign affiliates divided by the number of all affiliates (only majority-owned ones). Santander's GSI was 40 and BBVA's 31. Citigroup was top with 70. Three of Spain's companies –Telefónica, Repsol YPF and Endesa– are among the world's top 100 non-financial transnational corporations ranked by foreign assets.[4] Their respective positions are 11th, 43rd and 54th. In the Transnationality Index (TNI), calculated as the average of foreign assets to total assets, foreign sales to total sales and foreign employment to total employment, Telefónica's TNI was 69%, Repsol's 55% and Endesa's 49%.

The Spanish skyline, particularly in coastal and urban areas, is today dotted with cranes in the once thriving but now crisis-hit construction sector. If there is one image that sums up the Spanish economy it is probably this. What is much less known is that the big groups, such as ACS, Sacyr Vallehermoso, Acciona and Ferrovial have won a significant amount of business abroad, particularly in the Americas (see Figure 19). Ten of the world's 100 largest infrastructure transnational corporations ranked by foreign assets are Spanish (based on 2006 figures).

[4] Endesa is no longer a Spanish company as it has been 67% owned by Italy's Enel since October 2007.

Figure 19. Spanish Investors in Infrastructure in Latin America and the Caribbean, 1996-2006 (US$ million)

Company	Total	Energy	Telecom	Transport	Water
Telefónica	24,785		24,785		
Iberdrola	8,988	8,775			213
Endesa	6,806	6,806			
Grupo ACS	4,623	378		4,103	142
Unión Fenosa	4,495	2,930		1,565	
Agbar	4,032				4,032
OHL	2,870			2,794	76
Sacyr Vallehermoso	2,041			2,029	12
AENA	1,774			1,774	
Grupo Acciona	1,391			1,391	
Elecnor	1,268	1,268			
Grupo Ferrovial	1,050	1,050			
Abengoa	1,013	1,013			
Total	65,136	22,220	24,785	13,656	4,475

Source: World Investment Report, 2008, UNCTAD.

The growing importance of Spain's multinationals is enabling a significant part of the corporate sector to successfully weather the global economic downturn. This major push abroad, however, has not commensurately enhanced the Spain brand image, as we will see the section on brands.

Immigration

One of the historical images of Spain is that of a very intolerant country, epitomised by the Inquisition (established in 1478 and not abolished until 1834) and the 1936-39 Civil War in which an estimated 500,000 people were killed. Between 1492, with the massive expulsion of Jews (Muslims were expelled in 1609), and 1975, when the Franco dictatorship ended, around three million Spaniards left the country under political or economic pressures, without counting the very many others who formed part of a regular process of emigration.[5] According to the distinguished historian Henry Kamen, Spain is 'the only European country to have attempted to consolidate itself over the centuries not through offering shelter but through a policy of exclusion'.[6] All the more remarkable then is the country's swift transformation, in less than two decades, from a net source of emigrants to a big recipient of immigrants and the creation of a much more heterogeneous and tolerant nation. And this has happened at such a speed that Spaniards have hardly realised it.

Whereas between 1960 and 1973, more than one million Spaniards emigrated as 'guest workers' (as the Germans called them), between 2000 and 2007 more than 4 million people moved to Spain, according to official figures. The share of foreigners in the total population during this period rose from 2.3% to 11.3% (see Figure 20). When Franco died the share was a mere 0.4%. Few, if any countries, have experienced such a change in so short a period. While the creation of multinationals is the most significant external change in Spain, the influx of immigrants is the main internal development. Almost one in five babies born in Spain in 2007 had a foreign mother (well above the share of female immigrants of fertile age in the total female population of fertile age). The influx of immigrants has begun to push up Spain's fertility rate but at 1.39 children it is still one of the lowest in the EU-27 and below the replace rate (2.1).

Figure 20. Spain's Population and Foreigners' Share, 2000-08

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Population (million)	40.5	41.1	41.8	42.7	43.2	44.1	44.7	45.2	46.06
Foreigners' share (%)	2.3	3.3	4.7	6.2	7.0	8.4	9.3	10.0	11.3

Note: the figures at 1 January of each year are based on all documented and undocumented foreigners that have registered with the local population register (*padrón*). There is an incentive to do this as it entitles people to public health care and education, although not everyone does so.
Source: INE (National Statistics Office).

[5] See the preface of *The Disinherited* by Henry Kamen, Allen Lane, 2007.
[6] *Ibid*.

Were it not for its immigrants, Spain would not be able to harvest its strawberries in Huelva, collect its pears in Lérida, launch its now dwindling construction boom, maintain hotels in tourist areas, find nannies to look after children and people to care for the elderly in their homes. Apart from the special cases of Luxembourg and Switzerland, Spain is the European OECD country whose labour force includes the highest proportion of foreign workers (see Figure 21).

Figure 21. Share of the Foreign-Born in Total Labour Force and Employment, 15-64 Years Old (%)

	Share in Total Labour Force		Share in Total Employment	
	2002	2006	2002	2006
France	11.7	12.0	11.0	11.2
Italy	5.1	8.6	5.0	8.5
Spain	**7.8**	**15.1**	**7.6**	**14.6**
UK	8.8	11.2	8.6	11.0
US	14.7	15.7	14.6	15.8

Source: OECD.

Immigrants were responsible for half of Spain's average annual GDP growth of 3.1% between 2001 and 2005, compared with 12% of the 4.1% growth between 1996 and 2000, according to a report by the Prime Minister's Economic Office. Without these immigrants, per capita income in 2001-05 would have been €623 lower (€124 a year). The immigrant phenomenon has provided very positive supply and demand shocks: on the supply side, it has constituted a hidden labour market reform by making Spain's still rigid market more flexible and increasing geographical mobility (as well as keeping a lid on wage growth, as immigrants are less demanding than native workers); on the demand side, the population has surged, and with it the size of the domestic market, with the consequent multiplying effects on the economy and employment.

Immigrants have also changed Spain's religious map. Although Roman Catholicism remains the majority religion, there are now more than one million Muslims (the fourth-largest absolute number in the EU), 1.2 million evangelicals, 600,000 members of Orthodox Churches (Rumania, Bulgaria and Russia) and 48,000 Jews (mainly from Latin America), according to the Registry of Religious Institutions. Although under the 1978 post-Franco constitution Roman Catholicism is no longer the official religion, the Church remains in a very powerful position, particularly in education. In 2007 it was still the only faith that taxpayers could give money to in Spain via their annual tax return.

Spaniards have so far been remarkably tolerant of immigrants: there has been no backlash against them, nor the creation (yet) of an anti-immigrant and xenophobic party along the lines of France's or Britain's National Fronts. The only really serious anti-immigrant riots were at El Ejido in Almería in 2000, where hundreds of North Africans are employed in the plastic hothouses that produce Europe's winter vegetables. Spaniards reacted with dignity to the bombs placed on commuter trains in Madrid in March 2004 by radical Islamists living in Spain that killed 191 people (a very large number of whom were immigrants) and injured more than 1,800. Should a far-right party be formed, it could well start in one of the 'nationalist' regions, such as Catalonia, where there is already a large concentration of immigrants and calls for them to learn Catalan, or in areas where public education and healthcare are severely strained (overall, 66% of students go to state schools; 80% in the case of children of immigrants).

There are some grounds for believing that Spain as a whole will not at some point experience the kind of assimilation crisis that hit France and the Netherlands. At the latest official count, more than 20% of immigrants in Spain are Latin Americans, who speak the same language as Spaniards and have a religious, cultural and historical affinity, and 14% are Rumanians, who quickly pick up the language as it is similar to their own (see Figure 22). Moroccans, the second-largest country group after Rumanians, however, have not integrated so easily: they account for a large share of unemployed immigrants.

Figure 22. Foreigners by Main Countries (1)

Country	Number
Rumania	728,967
Morocco	644,688
Ecuador	420,110
UK	351,919
Colombia	280,705
Bolivia	239,942
Germany	180,650
Italy	157,435
Bulgaria	153,664
Argentina	145,315

(1) At 1 January 2008.
Source: INE.

These are testing times, however, as immigration is becoming a political issue. Mariano Rajoy, the leader of the conservative Popular Party (PP), caused a storm in September 2007 when he said there were '180,000 foreigners receiving unemployment benefits' while '20,000 Andalusians have requested work in the French grape harvest'. The inference was that foreigners were taking jobs away from Spaniards or forcing them to seek employment elsewhere.

Political Scene

The democracy that Spain has consolidated over the last 30 years is a fuller one than in the US and the UK, according to the democracy index drawn up by the Economist Intelligence Unit (EIU). The EIU's index, published in 2006 and wider than the annual one of the US-based Freedom House organisation, is based on five interrelated categories than form a coherent conceptual whole: electoral process and pluralism; civil liberties; the functioning of government; political participation; and political culture. Spain is ranked 16th out of 167 countries (see Figure 23) and is one of 28 full democracies (the other categories are flawed democracies, hybrid regimes and authoritarian regimes). This relatively high ranking surprises many Spaniards, who increasingly complain of the deteriorating quality of their democracy, particularly the rise in corruption and the politicisation of the justice system, and bemoan the brittle relations between the two main parties, the Socialists and the conservative Popular Party (PP).

Figure 23. Economist Intelligence Unit Democracy Index

Full democracies	Rank	Overall Score	I Electoral Process and Pluralism	II Functioning of Government	III Political Participation	IV Political Culture	V Civil Liberties
Sweden	1	9.88	10.00	10.00	10.00	9.38	10.00
Iceland	2	9.71	10.00	9.64	8.89	10.00	10.00
Netherlands	3	9.66	9.58	9.29	9.44	10.00	10.00
Norway	4	9.55	10.00	9.64	10.00	8.13	10.00
Denmark	5	9.52	10.00	9.64	8.89	9.38	9.71
Finland	6	9.25	10.00	10.00	7.78	8.75	9.71
Luxembourg	7	9.10	10.00	9.29	7.78	8.75	9.71
Australia	8	9.09	10.00	8.93	7.78	8.75	10.00
Canada	9	9.07	9.17	9.64	7.78	8.75	10.00
Switzerland	10	9.02	9.58	9.29	7.78	8.75	9.71
Ireland	11=	9.01	9.58	8.93	7.78	8.75	10.00
New Zealand	11=	9.01	10.00	8.57	8.33	8.13	10.00
Germany	13	8.82	9.58	8.57	7.78	8.75	9.41
Austria	14	8.69	9.58	8.21	7.78	8.75	9.12
Malta	15	8.39	9.17	8.21	6.11	8.75	9.71
Spain	**16**	**8.34**	**9.58**	**7.86**	**6.11**	**8.75**	**9.41**
US	17	8.22	8.75	7.86	7.22	8.75	8.53

Source: The Economist Intelligence Unit.

Spain, however, is a long way from reaching Italy's situation: Italy was ranked 34th in the EIU index and 55th out of 180 countries in the 2008 corruption perceptions index of the Berlin-based Transparency International, well below Spain's 28th position (see Figure 24). Spain scored 6.5 out of 10 compared to Italy's 4.8 (the closer to 10, the cleaner the country). In 2004, Spain was ranked 22nd with a score of 7.1.

Figure 24. Corruption Perceptions Index (1)

Country	Rank
1. Denmark	9.3
14. Germany	7.9
16. UK	7.7
18. US	7.3
23. France	6.9
28. Spain	**6.5**
55. Italy	4.8

(1) The closer to 10 the cleaner the country.
Source: Transparency International.

Apart from the period between 1979 and 1982, when the country was ruled by the Democratic Centre Union (UCD) following the 1978 Constitution, which sealed Spain's transition to democracy, Spain has had a two-party system at the national level, although more than 50 parties compete in general elections, underscoring the image of Spain as a nation of passionate individualists.

The Socialists ruled between 1982 and 1996, the Popular Party (PP) between 1996 and 2004 and since then the Socialists again. The share of the votes cast for these two parties rose from 74.5% in 1982 to 83.8% in 2008, and the number of their seats in the 350-seat Congress from 308 to 323. As a result of this two-party system, Spain, unlike Italy, has not been plagued by squabbling coalition governments that have held up the country's progress. There have been nine governments in Spain since the 1978 democratic constitution that buried the Franco dictatorship compared with 27 in Italy over the same period.

The Regions

Spain has moved from the unitary state ruthlessly upheld during the Franco regime to one of the most decentralised nations in Europe. Excluding Social Security, the 17 regional governments account for around 53% of total public spending compared with 23% by the central government (more than 50% in the early 1980s) and 24% by local authorities. There are 1.2 million employees in regional administrations (107,000 in 1983) compared with 540,000 in the central administration (1.3 million in 1983). The number of employees in local administrations has risen from 232,000 in 1983 to around 560,000 today. The total number of bureaucrats increased from 1.7 million to 2.3 million.

Ruling the country as a whole from Madrid is a complex matter and one fraught with tensions, particularly with the Basque Country (where the terrorist organisation ETA has not yet given up its 40-year struggle for an independent state) and Catalonia, the two most 'nationalistic' regions. ETA has assassinated more than 800 people.

The 27 seats in Spain's parliament not held by the Socialists or the Popular Party are mainly held by six regional parties, the largest of which are Convergence and Union (CiU), a conservative Catalan party, with 10 seats and the Basque Nationalist Party (PNV) with six. The Republican Left of Catalonia (ERC) has three, the Galician Nationalist bloc (BNG) two and the Canary Islands' Coalition (CC) two. The combined share of the votes cast in the 2008 general election for these regional parties is 8.3%.

A pecking order was established among the autonomous regions when devolution got underway. First came the 'historic' regions –the Basque Country, Catalonia and Galicia–, all of which have their own languages. Andalusia does not have its own language but gained a similar status in a referendum. These four regions have the right to call their own elections, while the remaining ones vote at the same time. Within this group, however, there are major differences, with the Basque Country in northern Spain enjoying the greatest degree of fiscal autonomy (under an agreement dating back to 1878). It collects all direct taxes itself and passes on a share to Madrid, has its own police force (as does Catalonia) and can teach the Basque language in schools.

The central government controls foreign policy (which does not stop regional premiers making their own high-level trips abroad), trade, defence, macroeconomic and competition policy and the administration of justice in some regions. The regions are responsible for education, healthcare, transport, public works (not of a state nature), housing and culture (many are very active in this field). Most of them have their own local television and radio stations. This process of devolution was only completed a few years ago and is now being reopened. The Catalan government is pressing for a deal closer to that of the Basque government, the Basque government is pushing for a referendum as a way to seek a peace deal with ETA, provided it renounces violence, and determine its position within Spain (viewed as opening the door to secession) and the poorer regions such as Andalusia and Extremadura are calling for greater solidarity from the richer regions. The current financing system has succeeded in reducing the wealth differences between regions (see Figure 25). The system is up for review and the central government is determined to keep the lid on this potential Pandora's Box.

Figure 25. Per Capita Income of Spain's Regions in Purchasing Power Parity (EU-15 = 100)

	2000	2007
Andalusia	69.3	74.0
Aragon	100.3	104.0
Asturias	77.7	82.2
Balearic Islands	107.4	100.3
Basque Country	107.8	114.6
Canary Islands	87.3	92.2
Cantabria	87.4	95.6
Castile-La Mancha	79.5	80.5
Castile and León	87.3	94.5
Catalonia	107.9	102.7
Extremadura	65.1	74.7
Galicia	74.9	79.3
Madrid	120.4	120.5
Murcia	78.1	77.9
Navarra	113.9	116.9
Rioja (La)	103.3	96.5
Valencia	86.6	84.8
Ceuta (1)	81.2	83.4
Melilla (1)	80.0	87.8
Total	91.5	93.4

(1) Enclaves in North Africa.
Source: Funcas.

The New Face of Spain

In a remarkably short period, Spain has moved from being the Western European country with the most traditional values and attitudes to one of the most liberal, tolerant and permissive societies, as well as being one of the healthiest. Life expectancy at birth has risen from 73.2 years in 1975 to 81 years today, three years more than the US and two more than the UK, thanks to the Mediterranean diet and the much improved public health system. Obesity is nowhere as prevalent in Spain as in the US or the UK. The country has steadily advanced in the UN Human Development Index (see Figure 26) and is one of the few countries to achieve a fall in income inequality over the last 20 years (see Figures 27 and 28).

Figure 26. UN Human Development Index, Spain 1975-2005 (1)

	1975	1980	1985	1990	1995	2000	2005
Spain	0.846	0.863	0.877	0.896	0.914	0.932	0.949

(1) The index measures the average achievements in three basic dimensions of human development: a long and healthy life, as measured by life expectancy at birth; knowledge, as measured by the adult literacy rate and the combined gross enrolment ratio for primary, secondary and tertiary schools; and a decent standard of living, as measured by GDP per capita in purchasing power parity, which converts GDP into a common currency and produces a better comparison. The maximum score is one.
Source: UN Human Development Report 2007/08.

Figure 27. Income Inequality

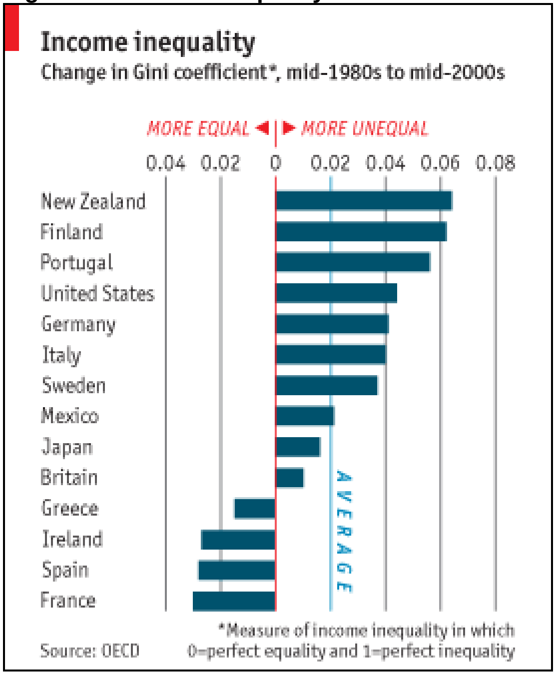

Figure 28. Gini Coefficient and Ranking of Selected Countries

	Gini Coefficient (1)
1. = Denmark	0.23
1. = Sweden	0.23
13. France	0.28
15. Germany	0.30
19. Spain	**0.32**
23. UK	0.34
25. Italy	0.35
27. US	0.38
30. Mexico	0.47

(1) 0 is perfect equality and 1 perfect inequality.
Source: OECD report *Growing Unequal?*

Divorce and abortion were authorised early on in the transition to democracy and in 2005 Spain became the fourth country in the world, after Belgium, the Netherlands and Canada, to allow same-sex couples to marry and adopt children. The Franco regime, backed for most of the time by the Roman Catholic Church (which supported the dictator's 'crusade' against the Republic during the Civil War and was rewarded with privileges afterwards), kept the lid on individual and social freedoms, but as soon as the dictator disappeared it blew off, like a pressure cooker releasing steam, and the country moved directly and rapidly towards a 'post-modern' society. Spain was able to do this because, as in so many other aspects, it arrived late and the pressure to catch up was intense. There are, however, strong intergenerational differences.

Under the 1978 Constitution, Spain is a non-confessional state. For centuries –and with the exception of brief intervals–, Spain had been a confessional state, and Roman Catholicism its official religion. The country, however, is not yet truly secular (taking France as the model); the matter is not helped by the Constitution, which is ambiguous on this matter.[7] Thirty years later, the Church still enjoys an influential position in areas, for example, such as education (out of proportion to the dwindling numbers who regularly go to church) and it is still the only religion that receives money directly via taxpayers' annual returns (a box can be ticked), even though Spain today has around 1 million Muslims, the fourth-largest number in the EU-15. Islam is now Spain's second-largest religion. The ultra-conservative hierarchy of the Church is very much on the

[7] Article 16 of the Constitution proclaims that 'no confession shall have a state character' and then states that 'the public authorities will take into account the religious beliefs of Spanish society and maintain the consequent relations of cooperation with the Catholic Church and other confessions'.

offensive against what it terms the Socialist government's 'radical laicism', particularly a new course introduced into schools in 2007 called Education for Citizenship (common in other EU countries).

One of the most striking changes over the past 30 years has been the greatly improved position and rights of women in a country that still has a strong streak of *machismo.* Women in Spain were granted full suffrage in 1931 (13 years before France) and then lost ground during his regime when only heads of household (most of whom were males) were allowed to vote. Article 57 of Franco's Civil Code stated, 'The husband must protect his wife and she must obey her husband'. Married women needed the permission of their husbands to go out to work, sign a contract, apply for a passport and open a bank account. A wife could not even undertake a journey of any length without her husband's approval. A great deal has changed since then. The current government of Prime Minister José Luis Rodríguez Zapatero has more female than male ministers including the Minister of Defence, Carme Chacón, and its youngest-ever cabinet minister, the 31-year-old Minister for Equality, Bibiana Aido. Women make up 36.6% of the deputies in the Spanish parliament, the fifth-highest figure in Europe, and female university students outnumber male undergraduates. A law introduced by Rodríguez Zapatero in 2006 prohibits men or women from making up more than 60% of the candidates of any political party that contests national or local elections. It also demands, but does not require, that by 2010 any company negotiating for public contracts should appoint women to 40% of the places on their boards of directors. But there are still very few women in top positions in Spain's corporate world. And domestic violence persists: roughly one woman a week is killed by their husband or partner.

Spain has advanced on many fronts, but these achievements are not yet firmly stamped on the outside world. Even John McCain, the Republican candidate in the 4 November election, is woefully ignorant of the country. One would expect him, at least, to be able to locate the country geographically. Interviewed on Miami's Unión Radio (owned by Spain's Grupo Prisa) in September he confused Spain with Latin America. After answering questions about the region he was asked whether, if elected President, he would officially meet with 'President Rodríguez Zapatero'.[8] This is an important issue for Spaniards as Rodríguez Zapatero is virtually the only head of an EU government who has not been invited to the White House, because of his spat with the US Administration after withdrawing peacekeeping troops from Iraq (sent by his predecessor, José María Aznar) in 2004. McCain said he would work with anyone from Latin America who cooperates with the US. Maybe McCain confused Zapatero with Zapatista (the Mexican rebel group), but even when the interviewer blurted out 'I'm talking about Europe, about Spain!' McCain still did not register and went off on a tangent and praised Felipe Calderón, Mexico's President. How can Spain combat this ignorance?

The Spain Nation and Corporate Brand

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 a country's brand, the easier it is for it to be accepted by the rest of the world and for the 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 country that produces them. It also works the other way round: a country's brand image depends, in part, on the brands of its goods and services, as well as on its cultural, social and political leaders.[9] For example, thanks to the stunning success of Nokia, the world's leading mobile phone supplier, and the Finnish government

[8] Not only was McCain ignorant of Spain, but also the interviewer as she referred to Rodríguez Zapatero as Spain's President. Spain is a monarchy and so the head of government is a prime minister, although in Spanish he is *presidente*. Jeb Bush, the brother of George W. Bush, made the same mistake in 2003 when he visited Madrid as Governor of Florida and referred to José María Aznar, then Spain's Prime Minister, as the 'President of the Republic of Spain'.

[9] This is well explained in an essay by Guillermo de la Dehesa –'Brands and Country Image, a Question of Synergy', *Spain, a Culture Brand,* Leading Brands of Spain, 2005–.

capitalising on this, the whole of Finland is firmly stamped on the world map as a high-tech and innovative country. Nokia has acted as a locomotive and pulled lesser known Finnish brands with it. Finland, with Nokia, and Spain, with the fashion retailer Zara, both have one company each in the Top 100 brands drawn up every year by Interbrand, but Zara's presence has done little to burnish Spain's overall image or that of other companies (see Figure 29).

Figure 29. Best Global Brands 2008 by Country

	Number in Top 100	Highest Ranked Company, Brand Value (US$ bn) and Position
US	52	Coca-Cola (66.6, 1st)
Germany	10	Mercedes-Benz (23.2, 11th)
France	8	Louis Vuitton (21.6, 16th)
Japan	7	Toyota (34, 6th)
Switzerland	5	Nescafé (13 28th)
Italy	4	Gucci (8.2, 45th)
Netherlands	3	Philips (8.3,3rd)
UK	3	HSBC (13.1, 27th)
South Korea	2	Samsung (17.6, 21st)
Canada	2	Thomson Reuters (8.3, 44th)
Sweden	2	Ikea (10.9,5th)
Finland	1	Nokia (35.9, 5th)
Spain	**1**	**Zara (5.9, 62nd)**

Source: Interbrand.

Telefónica and Santander would make it into Interbrand's ranking if they had a significant distribution presence in the three continents of the Americas, Europe and Asia (one of the requirements) but, unlike Zara, they are not spread throughout the world. Telefónica's and Santander's presence is largely in Latin America and Europe. Zara is now a truly global force, with operations in more than 70 countries. Telefónica, however, was fourth out of 50 in the 2008 ranking of corporate brands in Europe by the European Brand Institute, just behind Vodafone, and Santander 42nd (see Figure 30). The number of brands by country was as follows: Germany (15), UK (11), France (7), Italy (4), Sweden (3), Spain (3), Switzerland (2), Netherlands (1), Finland (1), Belgium (1), Austria (1) and Denmark (1).

Figure 30. Ranking of Corporate Brands in Europe, 2008, Selected Brands

Rank (1) and Brand	Industry	Country	Brand Value (€ bn)
1. Nokia	IT & technology	Finland	38.2
2. LVMH	Luxury	France	34.9
3. Vodafone	Telco	UK	24.1
4. Telefónica	**Telco**	**Spain**	**22.5**
10. Deutsche Bank	Financial services	Germany	18.1
21. HSBC	Financial services	UK	12.7
23. Telecom Italia	Telco	Italy	10.9
30. Barclays	Financial services	UK	9.7
32. BT	Telco	UK	9.3
42. Grupo Santander	**Financial services**	**Spain**	**8.1**
47. Inditex	**Retail**	**Spain**	**6.9**

(1) Out of 50.
Source: European Brand Institute.

As well as the seamless transition to democracy and the economy's transformation, there have been landmark events that have asserted Spain's modernisation, most notably the 1992 Olympics in Barcelona and the 1992 World's Fair (Expo) in Seville. The country's film directors have won Oscars (José Luis Garci, Fernando Trueba and Pedro Almodóvar, the latter twice), Camilo José Cela won the 1989 Nobel Prize for Literature, there is a bevy of top-notch opera singers (Plácido Domingo, José Carreras, Alfredo Kraus and Montserrat Caballé), several internationally renowned architects (Ricardo Bofill, Santiago Calatrava and Rafael Moneo) and in 2008 Spain became a European sporting superpower. In just two months, the cyclist Alberto Contador won the Giro d'Italia and Carlos Sastre the Tour de France; the football team won Euro 2008 and Rafael Nadal was the victor at Wimbledon. Fernando Alonso has ruled Formula 1 and Spain's basketball team was world champion in 2006 and won silver at the 2008 Beijing Olympics.

Spain is ranked 11th out of 50 countries in the Anholt Nations Brand Index (NBI) (see Figure 31).

The NBI is based on six elements –exports, governance, immigration and investment, culture and heritage, people, and tourism– and is the only analytical ranking of the world's nation brands. In governance it is ranked 16th, its lowest position, and in exports, which measures the tendency of consumers to actively seek out or avoid products from each country (the country of origin effect), Spain is ranked 12th. Its highest position is 3rd in the tourism ranking, as one would expect, and in culture it is sixth.

Figure 31. Rankings in the Anholt Nations Brand Index, Top 20

Overall	Exports	Tourism	Culture	Governance
1. Germany	1. Japan	1. Italy	1. France	1. Switzerland
2. France	2. US	2. France	2. Italy	2. Canada
3. UK	3. Germany	3. **Spain**	3. UK	3. Sweden
4. Canada	4. UK	4. UK	4. Germany	4. Germany
5. Japan	5. France	5. Australia	5. US	5. Australia
6. Italy	6. Canada	6. US	6. **Spain**	6. Norway
7. US	7. Switzerland	7. Canada	7. Russia	7. Netherlands
8. Switzerland	8. Sweden	8. Japan	8. Japan	7. Denmark
9. Australia	9. Italy	8. Switzerland	9. China	9. UK
10. Sweden	10. Australia	10. Egypt	10. Brazil	10. France
11. **Spain**	11. Netherlands	10. Germany	11. Australia	11. Finland
12. Netherlands	12. **Spain**	12. Scotland	12. Canada	12. New Zealand
13. Norway	13. Norway	13. Brazil	13. Sweden	13. Austria
13. Austria	14. Denmark	14. Sweden	14. Netherlands	14. Scotland
15. Denmark	15. Finland	15. Austria	15. Austria	15. Belgium
16. Scotland	16. Austria	16. New Zealand	16. Scotland	16. **Spain**
17. New Zealand	17. Russia	17. Mexico	17. Argentina	17. Japan
18. Finland	18. S. Korea	18. Netherlands	18. Switzerland	18. Italy
19. Ireland	19. Belgium	19. Ireland	18. Egypt	19. Iceland
20. Belgium	20. New Zealand	20. Norway	20 India	20. Ireland

Source: Simon Anholt and GfK Roper, September 2008.

The NBI broadly reflects the generally held perceptions about Spain –a country that scores well in tourism, is welcoming and has a substantial culture and heritage–. The NBI points out that tourism is 'often the most visibly promoted aspect of a nation's brand, and tourism assets have a disproportionate effect on a people's perceptions of the country as a whole'. In Spain's case, this is particularly so. Tourism plays such a vital role in the Spanish economy (it generates around 12% of GDP and employs roughly one in every 10 people) that it would be unwise to do anything that harmed the country's image as a Mecca for tourism, and yet Spain is also striving to promote a more 'serious' (cold) image in order to help exports and make the country known for other achievements and not just as a fun playground.

Very few countries are viewed as both 'cold' (efficient, rigorous and thus serious) and 'hot' (creative, passionate and hence not serious) or 'hard' and 'soft'. Germany and the UK are among the 'cold/hard' countries and Spain the 'hot/soft' ones. France, however, is successful both as a country for tourists (it receives more visitors than Spain) and as an exporter. The NBI rankings bear this out: France is first in the culture ranking, second in tourism and fifth in exports. Chile was so determined to impress upon the world its 'coldness' (hence seriousness) and to distance itself from the 'hot' (in all senses of the word) countries of the rest of Latin America that it shipped a 60-tonne Antarctic iceberg to Seville and made it the centre piece of its pavilion at the six-month World's Fair (Expo) in 1992 in the Andalusian city. While environmentalists gave it an icy reception and protested that the Antarctic was already threatened enough without huge chunks of it being cut off and sent to one of the world's hottest cities, the iceberg left a deep impression on visitors to the Chilean pavilion –and perhaps changed their view, assuming they had one, of the country (which since then has become the most successful economy in Latin America)–.

A study of Spain's image in Germany, France, Italy and the UK published in 1996, after the Expo and the Olympic Games in Barcelona in 1992, Spain's banner year, concluded that 'Spain is for many foreigners the ideal place for holidays and even for living. On the other hand, it is not regarded as the ideal place for working nor is it held up as an example of a modern and dynamic economy. What is clear is that we are a new frontier, a country with big possibilities and unrealised potential'.[10] Since then Spain has enjoyed its strongest period of economic growth (until 2008), and a dozen or so companies have become major players abroad, but the perception of the country is still distorted and out of sync with reality.

The 'Made in Spain' label does not sell well, particularly in the US. 'The truth is that for most people it probably wouldn't sway their purchasing decision, but it would have an effect on the country brand and probably even more if it were to say something like Designed in Spain or Fashion from Spain', says Tim Simmons, a Madrid-based consultant and expert in branding. Some Spanish companies have names that are not easily identified with the country, for example Massimo Dutti, part of the Inditex Group, one of the world's largest fashion distributors, which sounds distinctly Italian and so better viewed in the customer's eyes. Many Spanish companies use 'neutral' brand names such as Camper, Mango, Smint, Donuts, Fun & Basics, Panda Software, Women's Secret, Springfield and Panama Jack.

The Spain Brand Project

In 2003, the Elcano Royal Institute, the Association of Communication Managers (Dircom), the Institute for Foreign Trade (ICEX) and the Leading Brands of Spain Forum (FMRE) published a report putting forward proposals for strategies to improve and manage Spain's perception and image abroad.[11] The main conclusion was that as a nation brand is a matter of state, beyond party or ideological differences because it affects everyone, it needed to be centrally coordinated with the involvement of both the public and private sectors. The report was released under the government of the Popular Party, but very little was done during the last Socialist government (2004-08) to actively implement the recommendations. Promoting the Spain brand does not sit well with all of Spain's 17 autonomous regions, particularly the Catalans and the Basques, and these and other regional governments prefer to promote their own image and brands instead of going under a Spain umbrella.[12] There has not yet been a bipartisan approach in Spain to the nation brand concept.

The report, an initiative of Elcano and Dircom, emphasised that the central government needed an institution with sufficient authority to design and coordinate the image promotion tasks. It was considered vital to set up a suitable state body to manage the project, as this would give it the necessary stimulus and make for better coordination of the numerous public and private entities involved in actions that affect Spain's image abroad. Such a body has yet to be established.

The UK and Germany have carried out successful re-branding initiatives. A high-status Rebranding Britain panel was established in 1998 by the Foreign and Commonwealth Office which built upon the Cool Britannia logo projecting Britain as a dynamic, progressive, sophisticated nation and a world leader in creativity and innovation. Germany's 'Land of Ideas' nation brand project integrates and leverages the country's big brands in a very sophisticated way.

Miguel Otero, the managing director of the FMRE (founded in 1999), designed a system for building Spain's country brand comprising three pillars: companies (corporate and product brands), public institutions (Royal Household, Ministry of Foreign Affairs and embassies, etc) and other elements (civic society, Spanish VIPs, the media and business schools, among others). The public institutions, particularly the Royal Household, enjoy strong global prestige and there is a sufficient number of famous Spaniards. The weak link in this chain is Spain's big companies, which are not

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[10] *La Imagen Exterior de España, Aspectos Comerciales, Turísticos e Inversores* by Emilio Llamo de Espinosa and Javier Noya, Instituto Universitario Ortega y Gasset, 1996.
[11] See *Proyecto Marca España* at *www.realinstitutoelcano.org/wps/publicaciones/informe.pdf*.
[12] At international food fairs in Italy, for example, the Italians promote the country's olive oil at a single stand, while those regions of Spain that produce olive oil have their owns stands and it is often not made clear that they are Spanish. The irony is that much of the olive oil sold by Italian companies comes from Spain, but this is not mentioned on their labels, and it sells at a higher price than olive oil sold by Spanish companies.

sufficiently well known abroad. A country's brand image and that of its companies are closely interrelated and so they must be promoted simultaneously: the better a country's brand, the better the sales therein, and the better the brands of the goods and services of that country, the better that country's brand, perception and reputation abroad. But, unless all of Spain's regions are prepared to work together in conjunction with the central government to forge a Spain brand, instead of competing, the chances of success are slight.

This issue is also not helped by the advertising campaigns abroad of regional governments. For example, when the Castilla y León regional government (known in Spanish as the *Junta de Castilla y León*) sent a mission to New York and did not put Spain on its promotional literature, many people in a country with a large Hispanic population thought it was something to do with a Latin American military government because of the word *Junta*. Such approaches only add to the confusing image of Spain. The Madrid Chamber of Commerce placed an expensive advert for fashion in the *New York Times* that said, 'In Spain fashion is [spelt] with a capital M'. Americans were baffled. This was a play on words that worked in Spanish (*En España la moda es con M mayuscula*, as both Madrid and *moda* begin with an 'm') but not at all in a literal translation in English. 'If it is difficult to sell the Spain brand name, just imagine how difficult it is with one of Spain's regions or even an individual city,' wrote Luis de Velasco, a former trade commissioner in New York.[13] All it does is create more confusion'. These missions, which spend more than the annual budget of Spain's Trade Commission in New York, are essentially to impress voters in the home region and attract local media attention. Experts say that no other country, including those like Germany which are federal states, confuses customers as much as Spain.

The FMRE identified 150 ambassador brands among Spanish companies –they generate around 40% of Spain's GDP and one-third of their turnover comes from international business (see Figure 32)–. Many of them have leading positions in their segments (see Figure 33). Spain, however, still does not have a critical mass of brands with which to make a significant impact on the 'Made by Spain' image (see Figure 34).

Figure 32. A Selection of Spain's Main Ambassador Brands

Brand	Brand
Real Madrid (football club)	El Corte Inglés (department store chain)
FC Barcelona (football club)	Tio Pepe (sherry)
Zara (fashion retailer)	La Caixa (savings bank)
Camper (shoes)	Seat (cars)
Telefónica (telecommunications)	Borges (olive oil)
Custo Barcelona (fashion designer)	Adolfo Domínguez (fashion retailer)
Iberia (national carrier)	Freixnet (*cava*)
Santander and BBVA (financial services)	Carbonell (olive oil)
Mango (fashion retailer)	Lladró (porcelain figurines)
Torres (wine)	Grupo Osborne (wines, spirits, pork products)

Source: Leading Brands of Spain Forum.

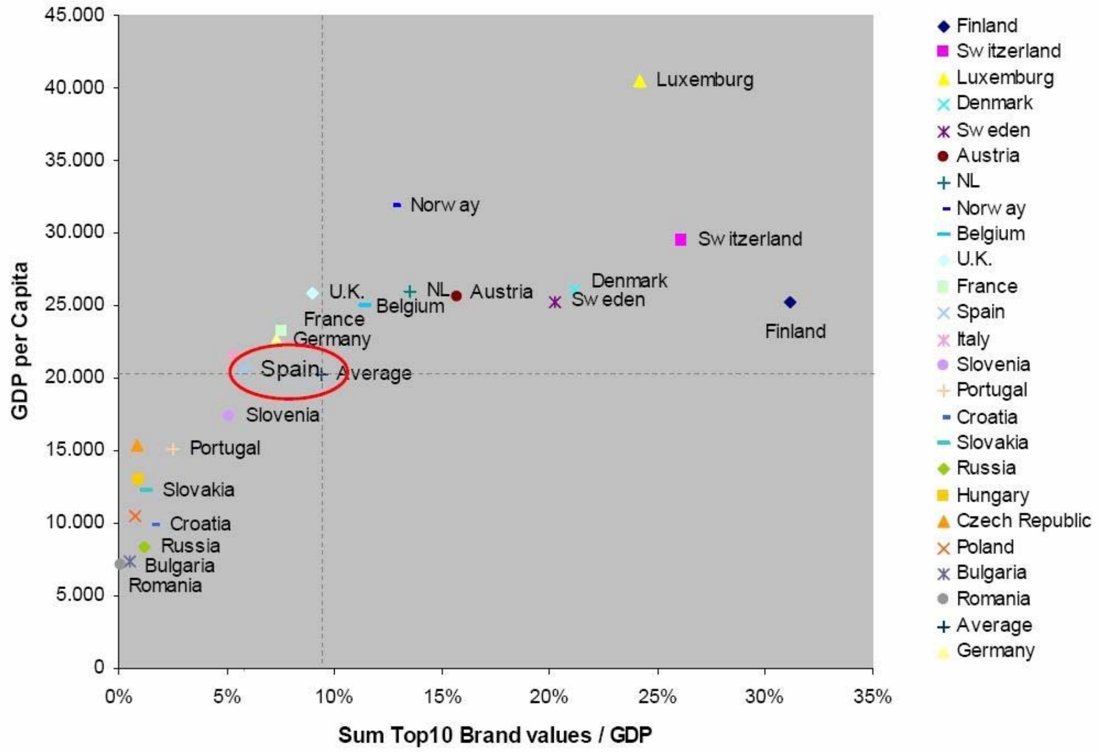
Figure 33. International Leadership of Spanish Brands

Brand	Brand
Zara – Top 3 in clothing	Telefónica – Top 3 in telecommunications
Roca – Top in bathroom products	Pescanova – Top 5 in sea fisheries
Indra – Top 3 in air traffic control	ACS – Top 5 in infrastructure management
Carbonell – Top 5 in olive oil	Ferrovial – Top in infrastructure management
Borges – Top 5 in olive oil	Repsol YPF – Top 10 in oil
Real Madrid – Top 5 in football by revenues	Freixenet – Top in sparkling wines (*cava*)
Barcelona F.C. – Top 5 in football	Santander – Top 10 in banking
Iberdrola – Top in wind power	BBVA – Top 10 in banking
Acciona – Top in building wind parks	

Source: various publications.

[13] See 'La Soportable Levedad de la Presencia Económica Española en EE.UU', *La Estrella de Papel Independiente*, 14/XII/2003).

Figure 34. Countries by Brand Values



Source: Leading Brands of Spain Forum.

One way to enhance the brands and, consequently, the Spain brand would be through what is known as co-branding. This idea, which is often used in the private sector, was brought to the attention of FMRE by brand specialist Tim Simmons.

This involves a person well known outside of the country attaching their name to a company. This has been very successfully done by Grupo Santander, which in 2007 celebrated its 150th anniversary and ran a series of full-page adverts with the bank's name on a Vodafone McLaren Mercedes Formula 1 racing car –two of whose team drivers are Spaniards, Fernando Alonso and Pedro Martínez de la Rosa–. In the BrandIndex 2007, Santander's UK bank Abbey (which uses the Santander logo of the flame) improved its position from 11th to 6th, making it the Top 10 bank in the UK that had most improved the recognition of its brand.

Olive oil is a good example of Spain's inability to market itself. Spain produces around 50% of the world's olive oil and Italy less than 30%, but the perception is that Italy is the global leader. Since the 1960s, when the Spanish economy began to be internationalised, the focus has been more on the short term than on creating value and brands. This explains why Spain is the world's leading olive producer and exporter and yet this is not generally known. If it were not for Spain, Italy would run out of olive oil for domestic use and exports. Italy began to import olive oil from Spain when it was part of the Roman Empire. The challenge for Spain is to change the perception. One way would be to capitalise on the fact that Italy buys so much Spanish olive oil and turn it through advertising to Spain's advantage. Jack Trout, the well-known marketing strategist, and his Spanish partner Raúl Peralba, Chairman of Positioning Systems in Madrid, came up with two striking phrases –not so far used– for Spain's foreign trade institute ICEX: 'The Italians know the most about olive oil, and that's why they buy it in Spain' and 'Two thousand years ago the Romans were our best customers, and today they still are'. This could be done in conjunction with co-branding. For example, Antonio Banderas and Penélope Cruz are well known in Hollywood as Spanish actors and could team up with a Spanish producer of olive oil to promote the product.

Zara has put itself on the map by investing money in prime locations rather than on advertising. By acquiring some of the world's most visible retail locations (for example its store on New York is on Fifth Avenue), Zara broke the rules of the game by using its stores as its only significant form of advertising. As Woody Allen once said, 'Half of being successful in life is just showing up'.

ICEX has become more active in promoting the Spain brand. It ran a multi-part series highlighting innovation, produced by *Technology Review's* custom-publishing division, which focused on renewable energy, electronics and telecommunications, machinery and industrial technologies, biotechnology, aerospace, railways, public works, engineering and management, and water treatment. These are areas where Spain has made a mark, but this is not widely known abroad. The sections carried the words 'españa, technology for life', preceded by the logo of an 'e' lying on its side and resembling a bull's horn. The slogan echoed the earlier tourism one 'Passion for Life' (which in the 1990s replaced 'Everything under the Sun') and combined 'hot' and 'cold' aspects. Spain, however, needs much more than just a slogan, a not very clear one at that and produced without consulting the FMRE, to change perceptions.

The gap between Spain's image abroad and the country's reality has been exhaustively identified. The next (and overdue) phase is to define the appropriate brand for Spain and position it, a process that is not that much different from constructing a company brand. Companies, and the population in general, two of the stakeholders in this process, are in agreement that a clear and strong nation brand will benefit everyone. The politicians, however, are in disagreement. Defining the meaning of 'Spain' is an old problem and, because of the existence today of so many autonomous regions, it is more politically complex than in most other countries.

Spain and the US

The US, the world's largest market, is the main country where Spain needs to be much better known. After all, the two countries have a shared history: Spain played a decisive role in the American Revolution (1775-83) by fighting against Britain. American schoolchildren learn about the Frenchman Gilbert du Montier, the Marquis of Lafayette, and how he fought in the Revolution against the British, but little or nothing about the Spaniard Bernardo de Gálvez, the governor of Louisiana, to name just one, whose troops seriously damaged British naval power in the Caribbean and the Gulf of Mexico and thus aided the rebel cause.[14] Spanish is also the most commonly taught foreign language today in US secondary schools and universities, and Spain is the second most popular country in the world for American students studying abroad.

In the US, the word Spanish is synonymous with Hispanic. This complicates the promotion of Spain's image as one distinct from the Hispanic and spills over into the perception of its products. The Hispanic community in the US is larger than Spain's population of 46 million and accounts for more than 15% of the total US population (4% in 1970). Although sharing a common language with Spain, this community, which is growing three times faster than the US population as a whole and since 2003 has outnumbered African Americans as the largest minority group, is multifaceted and far from monolithic.

Spain is a blank slate for the great majority of Americans; around one million of the 59 million tourists who visited Spain in 2007 were from the US, so there is very little personal knowledge of the country, and not a single US newspaper or magazine has a staff correspondent in Spain, whereas the European press is fairly well represented. If there is any image etched on the American mind at

[14] In 2002, 168 years after he died, the US Congress made Lafayette an honorary citizen. He is only one of six people to be given this distinction. All Gálvez has is a city in Texas named after him (Galveston). The US-Spain relationship in all its dimensions is the subject of an earlier book of mine, *Spain and the United States: The Quest for Mutual Rediscovery*, Elcano Royal Institute, 2005, www.realinstitutoelcano.org/wps/wcm/myconnect/resources/file/eb7af548421f959/ChislettEsp-EEUU-ingles.pdf?MOD=AJPERES.

all it is probably the traditional one related to flamenco and bullfights (for the very sophisticated, it is the films of Pedro Almodóvar) or to the withdrawal of Spain's peacekeeping troops from Iraq after José Luis Rodríguez Zapatero, the Socialist leader, won the March 2004 general election, a decision that provoked the wrath of George W. Bush and the main reason why Zapatero was never invited to the White House during the Bush Administration.[15] The pullout, however, did not produce much of a deterioration of Spain's image in the eyes of Americans; the country is still regarded as a close ally. Spain was ranked fourth in the rating of different countries in the US in the latest annual survey conducted by Transatlantic Trends (see Figure 35). The US appreciates Spain more than Spain does the US (see Figure 36). Spaniards' relatively negative views are directed much more at the US administration's foreign policy than towards US citizens.

Figure 35. US Feelings towards Different Countries (0 means very cold and 100 very warm) (1)

Country	Feeling
UK	74
Italy	64
Israel	61
Spain	**61**
Germany	61
Russia	51
Turkey	50
France	50
China	46
Palestine	37
Iran	27

(1) Spain was not included in the 2008 survey on this issue and so the previous one is used.
Source: Transatlantic Trends.

Figure 36. European Nations' Feelings towards the US (0 means very cold and 100 very warm)

Country	Feeling
Poland	57
Italy	56
UK	55
Germany	50
France	51
Spain	**39**
Turkey	11

Source: Transatlantic Trends 2008.

Spain changed considerably between 1998 and 2008 (it became the world's eighth-largest economy and a major net direct investor abroad, among other achievements) and this began to be reflected in US perceptions of the country. While 42% of non-Hispanic respondents in a 1998 survey instantly associated Spain with bullfighting, tourism and flamenco, this proportion dropped to 23% in 2008 (see Figure 37). Among the Hispanic population 32% of respondents associated Spain with its language, tourism and history/culture in 1998 compared with 14% in 1998 (see Figure 38). Spain's image is in transition, the traditional one is being diluted, but the new one is not yet clearly defined. Spain's leaders are also better known and appreciated, particularly King Juan Carlos. Only one in three respondents said they had never heard of the monarch (see Figure 39).

[15] The *New York Times* carried the story on its front page with a headline across six columns, making it the most prominently displayed piece of news out of Spain since the Civil War of 1936-39. The same newspaper on 1 June 2008 carried a very long article in its sports magazine on the matador José Tomás, written by no less a person than its chief art critic, Michael Kimmelman, which reinforced all the stereotypes. Meanwhile, *El País*, Spain's leading daily, carried two gory photos of José Tomás on its front page that same month (6 and 16 June): the first showing him leaning over the bull's horns and plunging in the sword that killed the animal, earning him the maximum distinction of four ears, and the second being tossed by a bull and seriously wounded. Jonathan Brown, the distinguished art historian, has declared himself an 'avowed enemy of bullfighting and flamenco' not because of their 'intrinsic worth' but because of 'the way in which they reduce the rich history and culture of Spain to the level of exotic folklore' (see the foreword to *Spain in America*, edited by Richard L. Kagan, University of Illinois, 2002).

Figure 37. Spontaneous Association with Spain among the non-Hispanic Population

	1998	2008
Bulls	22	16
Tourism	12	3
Flamenco	8	4

Source: Elcano Royal Institute (2008) and Ortega y Gasset University Institution (1998).

Figure 38. Spontaneous Association with Spain among the Hispanic Population

	1998	2008
Language	13	4
Tourism	11	4
History/culture	8	6

Source: Elcano Royal Institute (2008) and Ortega y Gasset University Institution (1998).

Figure 39. Percentage Non-recognition of Leaders

Leader	%
Nicolas Sarkozy	27
King Juan Carlos	37
Silvio Berlusconi	47
José Luís Rodríguez Zapatero	50
Angela Merkel	52
José María Aznar	54

Source: Elcano Royal Institute survey (2008).

An indication that Spain is viewed as less different is shown by the significantly higher proportion of Americans willing to marry a Spaniard (51% in 1998 and 71% in 2008). The proportion of those in no way at all disposed to marry a Spaniard dropped from 40% to 21%. But the readiness to buy Spanish products has not changed very much and almost equal percentages regard Spanish products as excellent or good (48%) as regular or bad (50%). However, there is greater interest in knowing the country's products.

Not surprisingly, Spain's exports to the US have failed to take off. They have increased by more than 40% since 2007 but in the first half of 2008 they still accounted for less than 4% of total exports, below the share that went to all of Latin America (4.4%) and less than half that to Portugal (8.4%). Spanish exports represent a mere 0.5% of America's total purchases (0.7% in 1989), one-sixth the UK share, one-fourth the French share and one-fourth the Italian share and compared with Spain's 1.7% share of global trade. Spain's share of the US market is more in line with that of medium-sized EU countries, such as Austria, Belgium and Denmark, whose economies are much smaller. Although the volume of exports is relatively small, the US is Spain's sixth-largest market, making it a top-tier trading partner, only exceeded by Spain's natural markets of France, Germany, Portugal, the UK and Italy.

Spain's direct investment in the US, however, is on the rise. The stock of this investment on a historical cost basis rose from US$2.3 billion in 1997 to US$27.6 billion in 2007, according to the US Bureau of Economic Analysis. This is much higher than Italy (US$15.4 billion), but tiny compared with Germany (US$202.7 billion) and the UK (US$410.7 billion). Installed in the US, usually via acquisitions, are, among others, Acerinox (steel), Abengoa (biofuels, solar energy), Barceló (hotels), BBVA (bank), Cintra (toll road operator), EADS CASA (aircraft), Ebro Puleva (rice and pasta), Ferrovial (toll roads), Freixenet (sparking wine), Gamesa (wind turbine manufacturer), GMV (technological business), Iberdrola (renewable energy), Indra (IT and defence systems), Mapfre (insurance), Marqués de Cáceres (wine), Osborne (brandy), Natura Bissé (cosmetics), Santander (banking), Repsol (oil exploration), SOS (rice), Torres (wine) and Zara (fashion).

A timely initiative to improve Spain's image in the US and hence that of its products is a Made in Spain plan presented by Miguel Sebastián, the Commerce, Industry and Tourism Minister, in which the Leading Brands of Spain Forum will be closely involved. The plan will come into force in 2009 and consist of a series of promotional activities in the US. The Elcano survey shows that US consumers are generally ignorant of Spanish products, but would like to know about them. The task facing the government and companies is how to get the right message across in such a huge and heterogeneous market.

Spain/US House

Spain has a scant cultural presence in the US. It basically consists of the Cervantes Institute, the government institution founded in 1991 for the teaching of Spanish abroad and promoting knowledge of the culture of Spanish-speaking countries, which has centres in New York, Albuquerque, Chicago and Seattle. New York has two private institutions: the Queen Sofía Institute (established in 1954) and The Hispanic Society of America (founded in 1904), while the Meadows Museum in Dallas houses one of the largest and most comprehensive collections of Spanish art outside of Spain.

The project to turn the former residency in Washington of Spain's ambassadors to the US into a centre to promote Spanish-American cultural relations is thus a welcome and long overdue move. The Spain House will be housed in a historic grand mansion on 16th Street NW in the Columbia Heights neighbourhood. The 30,000 square-foot facility will include multi-use exhibition and lecture halls, an auditorium, conference rooms, offices and a library and will also foster business, political, educational and social exchanges and networking. It is hoped that José Luis Rodríguez Zapatero, will inaugurate the centre in 2010 as part of what would be his first official visit to the White House.

Conclusion: The Need for a Strategic Positioning Project

Perception is a reality; the challenge facing Spain is to strike the right balance between what it is and what it is not. The Franco regime found it politically expedient to perpetuate the myth of failure and the Romantic image (and hence in its view an anarchic and ungovernable country that justified an authoritarian ruler).[16] This created an inferiority complex among Spaniards and low self-esteem. Not for nothing was the first tourism slogan produced by the Spanish government in the 1960s, when mass tourism in Spain began, 'Spain is different'. If there is a leitmotif running through Spain over the past 30 years it has been 'Spain is normal' but this has not fully caught on in the outside world, even though a survey of Spain by the *Economist* magazine in 1999 concluded that Spain was a 'fairly normal country'. Subsequent tourism slogans have included 'Spain. Everything Under the Sun' in the 1980s, which highlighted the beaches and coasts, to 'Smile! You're in Spain!' in 2007. The branding strategy in tourism has been phenomenally successful. However, 'To be viewed as a country that is entertaining and generally happy is something positive, but it is not enough', says Julio Cerviño, an associate professor of marketing at the Carlos III University in Madrid. 'The ideal thing would be if we managed to be viewed as a country that is entertaining and happy, but also one that is managing large enterprises and leading global brands'.

In order to change perceptions, it is necessary to reach some consensus among the main players on how the country should ideally be viewed and then work toward it on a coordinated basis. If Spain were a car and not a country, how would its manufacturer sell it? South Korea's Hyundai and Daewoo, for example, are successful in selling their cars on the basis of price alone, while Japan's Toyoya and Honda have achieved success on the basis of quality/price and Sweden's Volvo has

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[16] Julian Pitt-Rivers (1919-2001), the distinguished British social anthropologist and author of the classic *The People of the Sierra* (Weidenfeld and Nicolson, 1954), did nothing to dispel the 'Spain is different image' when he wrote, 'Being Spanish is the ultimate expression of the human condition. Spaniards in themselves are not so different from other human beings except that they are more… of everything. In other words, when they are jolly, they are jollier than anyone and a good time in Andalusia is better than a good time anywhere else... When they are sad, they more tragic and dignified in their tragedy. If they are charming, no one can be more charming and their charm penetrates like a laser beam. But if they are unpleasant, they are the most pompous and insensitive people imaginable. If they love, they love more deeply then anyone, if they hate, they hate more deeply too, but they know how to hide their hatred better than anyone'.

built up its reputation by emphasising safety. Selling a car, in Spain's case, on the basis of it being *simpático* (congenial, pleasant) is not sufficient.

Yet Spain is in a category of its own: its economy has grown spectacularly to become the eighth largest in the world, but it is not a member of the G-8 group (Canada is although its economy is now smaller than Spain's). When the G-7 was created in 1976, the Spanish economy counted for very little, and it did not form part of the G-20 (G-8 plus the EU and 11 other countries, mainly emerging ones) created between 1997 and 1999. This leaves Spain in limbo, a position epitomised by the headline of an article in *El País* on 25 October 2008 ('El milagro español no tiene club'/'No club for the Spanish miracle'), written while an aggrieved José Luis Rodríguez Zapatero pulled out all the stops to convince certain countries that Spain could not be excluded from the meeting of the G-20 in Washington on 15 November. This campaign followed Spain's exclusion from the earlier summit in Paris of leaders from France, Germany, Italy and the UK to discuss the global financial crisis.

Joining bodies such as the G-8 may be good for national pride and raise Spain's profile, but it will not resolve the basic problem of an image out of sync with the country's realities. This requires a coordinated and well-defined effort of the key stakeholders involved in branding a nation and where possible the maximum consensus, but not at the cost of diluting the appropriate message to be put across. Spain could also do with a foreign policy that is more pro-active and less one that simply responds to events. For this the foreign service (the country has fewer diplomats than the Netherlands) needs a larger budget. Rodríguez Zapatero's idea of launching a Public Diplomacy Commission in 2009, along the lines of those in other countries, is a move in the right direction, as it could help to neutralise the negative stereotypes. But this can only be done if everyone is in agreement on how to move forward. Not until that happens will Spain successfully re-brand itself.

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Appendix

Figure 38. Spain: Basic Statistics, 1975 and 2007

	1975[1]	2007[1]
Population (million)	35.6	46.0
Foreign population[2]	165,000	5.2 million
Foreign population (% of total)	0.4	11.3
Urban population (% of total)	69.6	76.7 (2005)
Unemployment rate (%)	4.0	8.3
Working age employment rate (%)	50.4 (1986-90)	66.6
Female labour force participation rate (%)	18 (1970)	55.5
GDP at market prices ($ bn)	104	1,439
GDP per head ($)	2,890	32,067
GDP per head (Purchasing Power Parity, EU-15=100)	81.4	90.8
GDP structure (%)		
Primary sector	10.1	3.6
Secondary sector	38.0	30.2
Tertiary sector	51.9	66.1
Exports of goods and services (at current prices, % of GDP)	12.6	25.7
Imports of goods and services (at current prices, % of GDP)	16.2	32.7
Number of tourists (million)	27.3	59.2
Current account (at market prices, % of GDP)	-2.9	-10.0
Consumer price inflation (%)	17.2 (avg. ann. incr. 1972-77)	4.3
Gross national saving (at market prices, % of GDP)	25.5	22.1
General government balance (% of GDP)	-6.2 (1985)	+2.2
Public debt (% of GDP)	42.3 (1985)	36.2
Public spending (% of GDP)	30.4 (1974-85)	38.3
Inward stock of foreign direct investment (US$ bn)	5.1 (1980)	537.4
Outward stock of Spanish investment abroad (US$ bn)	1.9 (1980)	636.8
Total tax revenue (% of GDP)	18.4	36.8
Spending on R&D (% of GDP)	0.57 (1985)	1.1 (2006)
Passenger cars per 1,000 inhabitants	136	550 (2005)
Average number of children per woman	2.8	1.3
Births to unmarried mothers per 100 births	2.03	26.5 (2005)
UN human development index	0.854 (1980)[3]	0.949
Average life expectancy (years)	73.3	81 (2006)
Percentage of population under the age of 15	27.8 (1970)	14.5
Percentage of population over the age of 64	9.7 (1970)	16.6
Prison population (% of total population)	0.09 (1991)	0.13 (2007)
Trade union affiliation	26.0 (1978)	13.0 (est.)
Women in government at ministerial level (% of total)	0	53
Seats in lower house held by women (% of total)	2.5	36

(1) Unless otherwise stated.
(2) Including naturalised citizens.
(3) The maximum value is one.
Source: Eurostat, National Statistics Office (INE), BBVA Foundation and UNCTAD.