

**Spain and the United States: So Close, Yet
So Far**

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William Chislett *

For Antonio Muñoz Molina and Elvira Lindo, citizens of Madrid and New York

Summary: This Paper updates the author's book *Spain and United States: The Quest for Mutual Rediscovery* (www.realinstitutoelcano.org/publicaciones/libros/ChislettEsp-EEUU-ingles.pdf), published by Elcano in November 2005, in a much abbreviated form. It incorporates the latest figures and material regarding trade, investment, political and cultural relations and other areas.

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Historical Overview

Spain's involvement in the United States stretches back to 1513 when Juan Ponce de León landed on the east coast of what is today the state of Florida and claimed it for the Spanish crown.² Within three decades of his landing, the Spanish became the first Europeans to reach the Appalachians, the Mississippi, the Grand Canyon and the Great Plains. Spanish ships sailed along the East Coast, reaching present-day Bangor, Maine, and up the Pacific Coast as far as Oregon. In all, Spaniards probed half of today's lower

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¹ This Paper updates the author's book *Spain and United States: The Quest for Mutual Rediscovery* (www.realinstitutoelcano.org/publicaciones/libros/ChislettEsp-EEUU-ingles.pdf), published in November 2005 by the Elcano Royal Institute, in a much abbreviated form. It broadly follows the same structure and incorporates the latest figures and material. The author writes a monthly article on Spain for the Elcano Royal Institute (www.realinstitutoelcano.org/insidespain.asp). In April 2005 he was a visiting scholar at the King Juan Carlos 1 of Spain Centre, New York University.

² America is named after the Italian navigator Amerigo Vespucci, who sailed in 1499 –seven years after his friend and rival Christopher Columbus first landed in the West Indies–. Vespucci's breakthrough came on his second voyage, when he realised that what he was exploring was not India (as Columbus had thought) but a new continent. The story is brilliantly told in Felipe Fernández-Armesto, *Amerigo: The Man Who Gave His Name to America*, Weidenfeld & Nicolson, 2006.

48 states before the English tried to colonise, at Roanoke Island, North Carolina. The oldest continuously inhabited city in the United States is St. Augustine in Florida, founded in 1565 by Pedro Menéndez de Avilés. Santa Fe, New Mexico, also predates Plymouth, Massachusetts, where the English ship, the Mayflower, arrived in 1620 with the Pilgrims. All of this is well documented, as is the extensive exploration by the 16th century French and Portuguese and yet Americans cling to a myth regarding the creation of their nation centred on the Pilgrims.³ Perhaps this is because winners write history and the Spanish, like the French, were ultimately losers in the battle for America.

At the time of the American Revolution (1775-83), almost all of the modern-day United States west of the Mississippi River up to Canada, as well as what is now called Mexico (then known as New Spain), was a territory of Spain, which was an ally of France and an economic competitor of Great Britain. Spain took the side of the American rebels, more out of hatred for Britain, its old rival, than for any enthusiasm for the cause of independence, which it feared would spread to the Spanish colonies in Latin America, as it eventually did. Spain hoped that a British defeat would enable it to recover those parts of Spanish America –Jamaica, Honduras, parts of west Florida– and Europe –Gibraltar and Menorca– that the British had occupied.

Louisiana's governor was a young Spanish nobleman named Bernardo de Gálvez. Before Spain declared war on Great Britain in 1779, Gálvez had been in contact with the American political leaders Patrick Henry, Thomas Jefferson and Charles Henry Lee and had secured the port of New Orleans so that only American, Spanish and French ships could move up and down the Mississippi River. Gálvez, under the instructions of the Spanish crown, aided the American Revolutionaries by allowing tons of badly needed supplies to be shipped up the Mississippi to patriot forces in the North. He also raised an army that included Creoles, Native Americans, free African-Americans and his own Spanish regulars. In 1780, Gálvez captured the British-held forts at Baton Rouge and Natchez and in 1782 the British naval base at New Providence in the Bahamas. The city of Galveston, Texas is named after him.⁴

Spain established regular diplomatic relations with the United States in 1785, six years before Britain, and signed the first treaty in 1795.⁵ Spanish influence was seen in the adoption of the dollar and its symbol, which is said to derive from a handwritten 'p^s' an abbreviation for *peso* in old Spanish-American books. Under the Transcontinental Treaty (1819), the United States obtained Florida, while Spain, in return for a US promise to stay out of Mexico,⁶ recognised the Louisiana Purchase of 1803 (the sale to the United States by the French of more than two million square kilometres of territory, from the Mississippi River to the Rocky Mountains).

Almost 80 years later (1898), Spain and the United States went to war over Cuba and Puerto Rico. From the early days of the Republic, US politicians considered Cuba's geographic position –140km from Florida and commanding important seaways connecting

³ An excellent account debunking some of the myths is contained in Tony Horwitz (2006). 'Anglo Americans', wrote David J. Weber, the pre-eminent historian of Spanish North America, 'inherited the view that Spaniards were unusually cruel, avaricious, treacherous, fanatical, superstitious, cowardly, corrupt, decadent, indolent and authoritarian'.

⁴ The decisive Spanish role in the creation of what is today the United States is generally downplayed or not taught at all in US or Spanish schools –nor is it recognised in most official ceremonies–. The history of this period is essentially presented as one of England and the United States.

⁵ Under the Treaty of Friendship, Limits and Navigation between Spain and the United States, the United States obtained all its long-sought claims, principally the right to free navigation along the Mississippi River 'from its source to the Ocean' through the huge Spanish-owned Louisiana Territory. Spain gained nothing from the treaty –neither a firm alliance nor a mutual guarantee of territory–.

⁶ As a result of the 1847 war between Mexico, by then independent from Spain, and the United States, Texas and what is now New Mexico, Arizona and California became part of the United States.

the Atlantic Ocean with the Gulf of Mexico and the Caribbean Sea— as vital to the United States. This had been enforced by the 1823 Monroe Doctrine, which announced that America, both North and South, was for the Americans and clearly went against Spanish interests. The Spanish-American War was the last war fought by Spain with any foreign power.⁷

When the Spanish Civil War (1936-39) began President Franklin D Roosevelt, wrapped up in his New Deal isolationism and anxious not to alienate the Catholic vote (which basically supported General Franco), condemned Franco's uprising against the Republican government but kept his country out of the conflict (the approximately 3,000 Americans who voluntarily formed the Abraham Lincoln Battalion and fought on the side of the Republic notwithstanding). Despite the US Neutrality Act of 1935, Franco's side received 3.5 million tonnes of oil on credit during the war, more than double the total oil imports of the Republic.⁸

Franco won the Civil War and established a dictatorship that lasted until 1975, when he died. Although officially neutral during the Second World War, the wily Franco helped Hitler and Mussolini, both of whom had supported him materially during the Civil War. For example, he exported wolfram (a key ingredient in the manufacture of high-quality steel for armaments), steel, mercury and zinc to the Nazis and sent the Blue Division to fight alongside the Wehrmacht on the Eastern front.

The victory of the allies in 1945 left the Franco regime very much of a pariah in the United States and Europe. Initially, the United States took a tough stance against Franco. Together with Britain and France it issued a Tripartite Declaration on 4 March 1946 which stated that Spain could not look forward to 'full and cordial association' with them as long as Franco remained in power. And it barred the country from joining the United Nations and excluded it from the 1948 Marshall Plan.

Events, however, brought Spain and the United States together in a marriage of convenience. On the one hand, Spain was destitute and internationally ostracised. On the other hand, Washington concluded that its policy of isolating the country had strengthened Franco, hindered Spain's economic recovery and made her cooperation less likely in the event of another war. As of 1947 the Pentagon, the body most directly concerned with the Cold War challenge, had its eyes on establishing military bases in Spain because of its geo-strategic position at the southern tip of Europe guarding the entrance to the western Mediterranean. Spain was the missing link to close the network of forward-deploying US bases that the Strategic Air Command was keen to establish to encircle the Soviet Union (bases were established in Portugal's Azores in 1951 and in Turkey in 1952). The idealistic approach towards foreign affairs was abandoned for a classical *Realpolitik*. Spain was viewed as little more than a strategically located piece of real estate.

In March 1950, the US government dipped into its surplus stocks and sold 86 million pounds of potatoes to Spain, thereby helping to end the potato rationing that had been in force since the end of the Civil War in 1939. The turning point came on 24 June 1950, when communist North Korea invaded non-communist South Korea, under US control since the end of the Second World War. The 1953 Pact of Madrid established air bases at Torrejón (near Madrid), Zaragoza and Morón de la Frontera and a naval base at Rota.

⁷ In a burst of jingoism, and as part of the national subscription in 1898 to raise funds for the war, a *corrida* was held in Madrid with two famous bullfighters, Guerrita and Luis Mazzantini. When it came to saluting the president of the bullring, Guerrita took off his hat and told the spectators that he would like 'nothing more than for the bull to turn into a yanqui' so that he could plunge the sword through his heart. Mazzantini said 'all the funds from the *corrida* should be used to buy dynamite so that this country of adventurers called America can be blown to pieces'.

⁸ See Anthony Beevor, *The Battle for Spain*, Weidenfeld and Nicolson, 2006, p. 138.

Dwight D. Eisenhower became the first US president to visit Spain in 1959. The agreement, which initiated the longest-standing association with a foreign country in Spanish contemporary history, was controversial, especially for France and the UK, which believed it undermined the moral authority of the Western block, and for liberals in the United States, democrats in Spain and Spaniards in exile. For Franco, it was a triumph, particularly as no political liberalisation was demanded and little on the economic front. The dictator's regime gained international respectability, especially in the multilateral area (Spain joined the United Nations in 1955). As a contemporary analyst put it, Spain went 'from United Nations outcast to United States partner'.

Instead of GIs liberating Spaniards from an authoritarian yoke, Washington consolidated the dictatorship and gave it a pervasive feeling of security. The Pact, the cornerstone of political and economic relations between Spain and the United States for some three decades, also led to the abandonment of autarky and the introduction of more orthodox approaches to economic management, thereby paving the way for Spain to become a member of the International Monetary Fund and World Bank, without which the country would not have established an economy linked to the global one. But it also produced a strong anti-US sentiment among the Spanish left.⁹ American economic and military assistance between 1953 and 1961 amounted to US\$1.4 billion, making Spain the third-largest recipient of American aid in Western Europe.¹⁰ This was a remarkable turnaround from its isolation at the end of World War II and exclusion from the United Nations and the Marshall Plan.

The United States became the main foreign investor in Spain in the 1950s and 1960s, outstripping France, Germany and the UK, previously the main investors. The US bases agreement acted as a stamp of approval for the American business community, while the 1959 Stabilisation Plan engineered a long period of the highest growth in Europe and a consequent surge in the demand for consumer and capital goods, transport equipment and public works. The companies operating in Spain during the 1960s included Texaco and Standard Oil (energy), Abbot Laboratories and Pfizer (chemicals), Babcock & Wilcox and Westinghouse (manufacturing), Coca Cola, Pepsi Cola and Colgate-Palmolive (consumer goods), American Foreign Insurance (insurance) and Hilton (hotels).

When the dictator died in 1975 the United States had done little to develop some form of policy towards a democratic Spain.¹¹ The main concern were the bases, whose importance increased after the United States was forced out of Libya in 1970. The first post-Franco governments backed NATO membership to the immense pleasure of Washington, which had long lobbied for Spain's entry but which in the dictator's day it never pushed for over the heads of its European allies the way it did the bases agreement. Hard-line Francoist elements in the armed forces were not happy at the democratic direction in which the country was moving, and on 23 February 1981 members of the Civil Guard stormed the Spanish parliament as part of a failed coup. Instead of rallying to the support of the beleaguered government, the US Secretary of State, Alexander Haig said the coup was 'a Spanish internal affair'. This unfortunate remark confirmed the belief of the Spanish left, and democrats as a whole, that the US government placed little importance on the fate of Spanish democracy and that it still hankered after the cosy relationship it had during the Franco regime.

The Socialists, who were against NATO membership and committed to submitting the issue to a referendum, won a landslide victory in the 1982 general election. In a policy U-

⁹ The classic study is Viñas (2003).

¹⁰ See Calvo-González (2006).

¹¹ See Wells Stabler, 'The View from the Embassy', in Hans Binnendijk (ed.), *Authoritarian Regimes in Transition*, Centre for the Study of Foreign Affairs, US Department of State, 1987.

turn, they campaigned for a 'yes' vote in the 1986 referendum and they won the day (52.5% in favour and 39.8% against). But they attached three conditions to the irritation of Washington: Spain would not join NATO's integrated military structure; the ban on nuclear weapons in Spain would remain and, most importantly, there would be a gradual reduction of the US military presence in Spain. For the Socialists, overcoming the Francoist origin of the bilateral agreement would only be achieved by significantly reducing the US presence and not just by joining NATO. This was achieved with the 1988 bases agreement.

Once the bases agreement and the NATO issue were settled, Spain moved, in Washington's eyes, from being an unpredictable ally (NATO referendum) to a reliable friend in an hour of need (for example, the bases in Spain and armament factories played a key role in the 1990 Gulf War). The Socialists became a useful partner (1991 Middle East Peace Conference in Madrid, despite serious differences on the Palestine question), but also a dissenting interlocutor (Nicaragua and Cuba). The relationship was not free of friction, particularly in Latin America, where the Socialists strongly opposed the US invasion of Panama in 1989.

The Socialists, in power for 13 years, lost the 1996 election to the centre-right Popular Party (PP) of José María Aznar, who wasted no time in moving Spain's foreign policy closer to Washington's interests. One of his first steps was to suspend official cooperation with the Cuban government, except for humanitarian aid, and support the Miami-based opposition to Fidel Castro more actively than the Socialists. The Spanish parliament also approved the country's participation in NATO's military command structure (also backed by the Socialists as both parties supported the Alliance's expansion to the east).

The PP won the 2000 general election with an absolute majority, strengthening Aznar's hand in foreign policy. In January 2001, in the last phase of the Clinton administration, Spain and the United States signed a Joint Political Declaration, which set out the general principles and objectives of an intensified relationship. This was boosted by the Cooperation Treaty on Defence in April 2002 which gave the United States better access to the bases, as the previous system of authorisation on a case by case basis for flying over and landing was replaced by one of blanket clearance for periods of three months (much used during the Iraq war in 2003).

When George W. Bush arrived at the White House, Aznar decided to press for the Spanish equivalent of the UK's 'special' relationship with Washington. This significant shift in Spanish foreign policy broke with the post-Franco, essentially European-focused policy, partly forged because of the overriding priority of joining the European Union, although there was also a strong Atlanticist component. Aznar had become increasingly disillusioned with the policies of the German and French governments and their predominant role in the EU. A closer relationship with Washington was also a way to escape from their tutelage and to enhance Spain's position in Europe. Spain was the first stopping-off point on Bush's first visit to Europe in June 2001 (the first time any US president had given Spain this privilege).

The terrorist attacks in New York on 11 September 2001 galvanised the US connection. Aznar –who narrowly survived an ETA assassination attempt in 1995– had spoken at great length to Bush about terrorism during his visit to Spain and was quick to offer immediate and unconditional support for the overthrow of the Taliban regime in Afghanistan by US and British forces. Other factors behind Aznar's greater Atlantic commitment included: a closer relationship with the United States and its closest European allies (the UK and Portugal) as a way to counterbalance the EU's expansion to the east (as of 2004) and to offset Spain being on the periphery of Europe; security along the southern flank of the Mediterranean, the weak point in Spain's defensive alliances;

very significant Spanish investments in Latin America; the increasingly large Hispanic presence in the United States; and the potential for greater trade and investment in the United States.¹²

During the March 2003 invasion of Iraq Spain was the US's most solid ally along with the UK. It joined the 'coalition of the willing', symbolised by the photograph of Bush, Blair and Aznar at their summit in the Azores, even though around 90% of the Spanish population expressed opposition to the war with Iraq in opinion polls, the highest level in Europe. Aznar, however, stuck to his guns and sent 1,300 peacekeeping troops to Iraq.

On 11 March 2004, three days before Spaniards went to the polls in a general election, terrorists linked to al-Qaeda took revenge on the PP's support of the war in Iraq and placed bombs on trains in Madrid, killing 191 people and injuring more than 1,500. The Socialists won the elections on a large voter turnout (77%, not far from the historic high of 80% in 1982, when the Socialists first came to power). No sooner were they in office than the Prime Minister, José Luis Rodríguez Zapatero, fulfilled a very popular electoral pledge and abruptly withdrew Spain's troops from Iraq, overturning the previous government's carefully nurtured relationship and producing a major rift with Washington. What particularly infuriated the White House was not so much the pull-out of troops but the sudden way in which it was done, the poor coordination and without negotiating a gradual withdrawal. Rodríguez Zapatero also angered the administration by privately or publicly urging other countries to withdraw their peacekeeping troops. Nevertheless, despite the differences over Iraq and other issues, the fundamentals remain solid.

Political Relations

Since taking office in May 2004 the Socialists have readdressed Spain's political relationship with Washington. For them, the PP's wholehearted support of the US and UK-led invasion of Iraq, particularly as it was not backed by the United Nations, was one step too far as it broke the bipartisan consensus in foreign policy by unbalancing relations in favour of one element of the equation (the US) to the detriment of the other (the EU). Naturally, the PP takes an opposing view and, as a result, Spain's two main political parties are in wide disagreement over some key aspects of foreign policy.¹³ FAES, the PP's think tank, is very active in denouncing the Socialists' foreign policy and has good relations with conservative think tanks in the United States with whom it is working on highlighting the importance of the Transatlantic relation.

The PP did very little to win over public opinion regarding its support for the war in Iraq, which needed to be done in a country like Spain, with such a long history of antagonism towards the United States. Spain is a strongly pacifist society, probably because of the trauma of its 1936-39 Civil War, which is embedded in the collective memory, and it is also the most left-leaning nation in Europe, according to self-placement scales.¹⁴ On a

¹² See Lamo de Espinosa (2003) and Isbell (2004).

¹³ In an article in the *Wall Street Journal* ('Appeasement Never Works', 26/IV/2004) José María Aznar, the former Prime Minister, said the pullout of troops 'worsens our foreign relations. It alienates us from our partners and allies and does not contribute to the foreign policy consensus promised to us by the new government.' The PP's position has basically not changed and it never ceases to attack the Socialists over the troop withdrawal from Iraq. When parliament debated and unanimously approved the deployment of troops to Lebanon on 7 September 2006 (under a new law approved in 2005), Mariano Rajoy, the PP's leader, said the Socialists' policy was hypocritical and his party's coherent as the deployment in Lebanon, like that in Iraq, was 'a mission of war' and not simply a peacekeeping mission.

¹⁴ The gulf between American and Spanish public opinion over Iraq was underscored by the German Marshall Fund's 2004 poll of the United States and eight European countries. To the question 'Under some conditions, war is necessary to obtain justice', 82% of Americans responded 'yes', while only 25% of Spaniards (the lowest number of all the countries polled), answered in the affirmative. The question did not refer to any particular war, such as the Iraq War or the Vietnam War, but to war in general.

scale of 1 to 10 from left to right –where the centre point is located at 5.5– the average in Spain has held steady at around 4.7 since 1980.

Despite the differences, Madrid has established a *modus vivendi* with the Administration of George W. Bush and relations have improved substantially since the nadir in 2004. Yet, at the time of writing, Rodríguez Zapatero had still not set foot in the White House and was unlikely to do so. Among the EU-25 leaders, Zapatero and the President of Cyprus are the only ones who have not been received in the White House. At this stage in both the US and Spanish governments, neither leader has anything to gain politically from a meeting.¹⁵ Condoleezza Rice, the US Secretary of State, however, was due to visit Madrid in late October.

The Socialists' expansion of Spain's military presence in post-Taliban and increasingly violent Afghanistan, where it currently has around 750 peacekeeping troops (more than during the PP's period), and its contribution, the fifth largest, of up to 1,100 troops to the UN force in Lebanon has helped to win friends on Capitol Hill.¹⁶ According to Kurt Volker, Principal Deputy Assistant Secretary of State for European and Eurasian Affairs, the 'most important place where the United States and Spain are working together is Afghanistan'.¹⁷ Spain leads a Provincial Reconstruction Team and commands a Forward Support Base in Afghanistan, making it one of the largest contributors of military forces to Afghanistan (see Table 1). This is probably one factor why more Americans in 2006 (28%) viewed Spain as a close ally than they did in 2005 (22%) and 2004 (20%), but not as many as in 2003 (30%, see Table 2). Spain, however, slipped in the ranking to 11th out of the 25 countries surveyed from 9th in 2004 and 8th in 2003.

Table 1. Main Countries with Troops in Afghanistan and in Lebanon (1)

Country	In Afghanistan	In Lebanon
United States	19,000	–
United Kingdom	5,000	–
Germany	2,700	2,400
Canada	2,500	–
Netherlands	2,300	–
Italy	1,250	2,450
France	1,000	2,000
Bangladesh	–	1,500
Spain	750	1,100
Indonesia	–	1,100
Malaysia	–	1,000
China	–	1,000
Turkey	–	900
Nepal	–	850
Finland, Sweden, Norway	–	500
Poland	–	500
Belgium	–	400
Total	35,950	15,000

(1) Approximate figures in September, 2006.

Source: United Nations.

¹⁵ Aznar visited the White House many times while he was Prime Minister and, after he decided not to run for re-election in 2004, was the first foreign dignitary to meet George W. Bush after his re-election. Aznar was also accorded the honour of addressing a joint session of Congress. Awarding him the Congressional Gold Medal, the highest award bestowed by the US government –which Tony Blair had received in 2003–, was in the pipeline but it did not come through in time for his address and was not subsequently pursued.

¹⁶ The Congressional Friends of Spain Caucus, first established during the 2001-02 Congress but not operating during the first two years in office of the Socialists, was re-registered in June 2006. Twenty-seven members of Congress have joined, and the next step is to expand it to the US Senate.

¹⁷ See Volker (2006).

Table 2. How Americans View Nations – Trends on ‘Close Ally’ Since 2001 (% Affirmative)

Country	2001	2002	2003	2004	2005	2006
UK	80	64	74	70	74	74
Canada	73	60	57	51	48	64
Australia	47	43	53	45	44	61
Israel	38	37	44	43	41	47
Japan	26	28	32	33	30	50
Mexico	37	30	32	27	27	31
Italy	37	30	32	27	26	34
South Korea	–	21	25	25	25	34
Germany	39	29	19	19	24	31
Sweden	–	24	20	18	23	31
Spain	27	23	30	20	22	28

Source: Harris Poll.

The withdrawal of troops from Iraq and the commitment to peacekeeping missions are the two sides of the same coin of the Socialists’ policy towards conflicts. ‘We are in Afghanistan for the same reasons that we pulled out of Iraq, in order to defend peace, the United Nations and international law’, said Rodríguez Zapatero last year, a view echoed on 7 September 2006, the day that parliament approved the deployment to Lebanon, when he said, ‘Based on the same principles and the same convictions with which we opposed the war in Iraq and withdrew the troops from Iraq, we are sending troops to Lebanon’.¹⁸

While Madrid and Washington have agreed to disagree about Iraq –according to Volker ‘Iraq per se was not a major divisive issue between the United States and Spain’– there are frictions over Venezuela and Cuba, but these are easing. Earlier this year, the Socialists defied a US ban on the re-export of US technology and pressed ahead with a €1.7 billion contract, signed in November 2005, to sell unarmed transport and maritime surveillance aircraft and boats to the avowedly anti-American Venezuelan government of Hugo Chávez, the Bush Administration’s main *bête noire* in Latin America after Cuba’s Fidel Castro. The ban means that EADS-Casa will have to acquire the technology for the 12 aircraft elsewhere if the deal is to be completed. The US government, which had warned that its policy on arms sales to Venezuela would likely prevent it from authorising the transfer of US-made components, said it had denied the request for licences to transfer the technology because ‘in a region in need of political stability, the Venezuelan government’s actions and frequent statements contribute to regional instability’. Volker called Spain’s decision ‘especially disappointing since it gives Chavez an opportunity to exploit a perceived difference between US and Spanish views of his increasingly anti-democratic regime’.

Rather than ostracise Chávez, who has visited Spain several times, as Washington would like, Rodríguez Zapatero believes the right approach is to keep lines open. However, Madrid has not succeeded in mollifying the firebrand and during 2006 it became increasingly disillusioned with him and more distant. There has been no public change of approach, but neither have there been any more effusive displays of support. Spain’s foreign policymakers realise that it is not in the country’s best interests to be associated too closely with a man who called Bush the devil at the United Nations General Assembly in September and who denounced the UN system as ‘worthless’. They are alarmed at the increasing polarisation in Latin America, as a result of the policies and rhetoric of Chávez and Evo Morales, Bolivia’s first indigenous president and an ally of Chávez and Castro,

¹⁸ The full scope of Spain’s contribution to Western security through peace-keeping operations is not generally appreciated abroad. Spain has participated in 60 of them and has sent more than 50,000 troops abroad over the last 20 years. At the time of writing, there were around 3,000 peace-keeping troops in Lebanon, Afghanistan, Bosnia, the Congo, Kosovo and Lithuania. Under a law approved at the end of 2005 by the Socialist government, Spain cannot have more than 3,000 troops abroad at any one time.

with whom Madrid was also, initially, very friendly. Chávez calls his alliance with Castro and Morales the 'axis of good', in a cheeky reference to the 'axis of evil' (Iran, Iraq and North Korea) coined by Bush. Madrid's relations with Bolivia chilled in 2006 as a result of the nationalisation of the energy sector, a move which affected Spain's oil and natural gas giant, Repsol YPF.

Similarly, the Socialists' overturning of the PP's pro-US policy towards Cuba has not endeared it to Washington. One of Aznar's first foreign policy steps was to suspend official cooperation with the Cuban government, except for humanitarian aid, and support the Miami-based opposition to Castro more actively. The EU, actively prodded by Aznar, reduced high-level governmental visits and participation in cultural events in Cuba in 2003 after the summary execution by firing squad of three people who had hijacked a ferry in an attempt to escape the country and the roundup of 75 dissidents. EU countries also decided to invite dissidents to national holiday celebrations at their embassies in Havana as a sign of support for the regime's opponents. This produced the so-called 'cocktail wars'. Castro retaliated by freezing out embassies from all official contacts. EU ambassadors in Havana became known as 'Findus ambassadors', after the frozen food producer, as they had little to do. The Socialists concluded that the previous policy was getting nowhere and successfully spearheaded the EU's efforts to restore normal diplomatic contacts with Cuba as of January 2005, despite the lack of progress in human rights.¹⁹ Cuba was a Spanish colony until 1898; it is estimated that 70% of Cubans have a Spanish grandparent (alive or dead).

Madrid contends that Cuba's future will be decided within the country and not in Miami, the home of most exiles, or in Washington. With Castro's health waning, some kind of transition to democracy might not be that far off; and the Socialists believe Spain can play a positive role in it. A good working relationship has been established with Tom Shannon, the Assistant Secretary of State for Western Hemisphere Affairs, who is receptive to the Socialists' ideas on a gradual transition to democracy without any destabilisation measures by Washington to hasten the process, along the lines of Spain's own transition which was achieved from within the Franco regime and without a violent break with the past. The appointment in September of Trinidad Jiménez, a political heavyweight as she was responsible for international relations on the Socialists' executive committee, to a new post of Secretary of State for Latin America could see the Spanish and US governments working together more closely on the region's thorny issues.

US Investment in Spain

The United States has been a significant investor in Spain since the 1960s. Since Spain's accession to the EU in 1986, however, the relative weight of US investment in total inward investment has declined in favour of European countries. Net direct investment by the United States in Spain, on the basis of the immediate and not the ultimate investing country, amounted to €4.5 billion between 1995 and 2005 –6.3% of the €70.7 billion total– compared with €21.3 billion by the UK and €5.5 billion by France (see Appendix 1).²⁰ During that period, US net investment represented between 2% and 18% of total annual

¹⁹ Spain's relations with Cuba have long been a sore point with US administrations. Even the staunchly anti communist General Franco maintained full diplomatic relations with the country and traded with it. The Lyndon Johnson administration (1963-69) was particularly critical of Spain's purchases of Cuban sugar. In May 2005, Castro's brother Raúl, the regime's 'number two', was warmly received in Galicia, where his parents were born, by Manuel Fraga, at that time the region's premier and a former information and tourism minister under Franco.

²⁰ These figures exclude investments in special-purpose entities (SPEs), whose only function or activity is to hold foreign equity. They are regulated by specific legislation and give international companies tax advantages if certain conditions are met. The value added of SPEs to the Spanish economy is close to zero and typically they involve large sums.

net investment flows. There are more than 600,000 US companies in Spain of all sizes, employing 200,000 people, compared with over 13,000 in the UK.

The figures for the United States before 2002 understated the true dimension of its investment in Spain because the figures were only provided on the basis of the immediate investing countries and not the ultimate investing countries. This particularly affected US companies, as they often invest in Spain via 'transit' countries with favourable tax treaties, such as Luxembourg, the Netherlands and Gibraltar, or through other European subsidiaries located in the EU, typically the UK or Germany. The Foreign Investments Registry now gives the investment structure by both immediate and ultimate investing countries, and the differences between the two sets of figures are significant. Gross US investment on the basis of immediate countries amounted to €3.3 billion between 2002 and 2005 and €6.5 billion on the basis of the ultimate country (see Table 3).

Table 3. Gross Foreign Direct Investment in Spain by the US and the EU (1)

(US\$ mn)	2002	%	2003	%	2004	%	2005	%
Total	11,428	100.0	10,252	100.0	11,680	100.0	14,433	100.0
EU	8,344	73.0	7,503	73.1	6,900	59.0	10,392	72.0
US	732	6.4	1,471	14.3	1,843	15.8	2,461	17.1
Other	2,352	20.6	1,278	12.6	2,937	25.2	1,588	10.9

(1) Excluding special purpose entities and on the basis of the ultimate investing country.

Source: Spain's Foreign Investments Registry.

US direct investment in Spain has averaged around 1% of the US's total annual investment abroad since 1999 (see Appendix). In terms of annual US investment outflows, Spain ranks well down the league of EU countries and at the world level in 2004 and 2005 it was surpassed by China. On a historical cost basis, US investment in Spain quadrupled between 1995 and 2005 to US\$43.2 billion, well ahead of Italy but much lower than Ireland according to the US Bureau of Economic Analysis (see Table 4). On a Spanish per capita basis this is close to US\$1,000, larger than US FDI per capita in Brazil (US\$180), Chile (US\$630) and Mexico (US\$645). Of the US\$43.2 billion, US\$10.2 billion was in manufacturing (US\$4.0 billion in chemicals and US\$877 million in transport equipment), US\$20 billion in non-bank holding companies, US\$1 billion in IT companies and US\$5.3 billion in finance and insurance.

Table 4. US Direct Investment Abroad on a Historical Cost Basis

(US\$ mn)	1995	2005
Total	699,105	2,069,983
Canada	83,498	234,831
Europe	344,596	1,059,443
France	33,358	60,860
Germany	44,242	86,319
Ireland	7,996	61,596
Italy	17,096	25,931
Spain	10,586	43,280
UK	106,332	323,796
Latin America and other Western Hemisphere	131,377	353,011
Africa	6,013	24,257
Middle East	7,198	21,591
Asia and Pacific	122,711	376,849

Source: US Bureau of Economic Analysis.

Most US companies in Spain are in the industrial sector, especially auto parts, pharmaceuticals and chemical products, and industrial equipment and supplies. However, in recent years their presence in the service sector has been increasing steadily, mainly in information technology and consulting services. US companies account for more than one-third of total production of new passenger cars, around 15% of auto components and close to 40% of the sales of pharmaceuticals. Some of the companies are among the largest in the country (see Table 5). They include Opel (part of General Motors) and Ford

in the motor industry, IBM and Hewlett-Packard (+ Compaq) in information technology, General Electric (plastics), Dow Chemical and DuPont in chemicals, Alcoa in metals and Procter & Gamble in consumer products.

Table 5. Largest US Companies in Spain (1)

Company	Sector	Employees	Revenues (€ mn)
Ford España	Automotive	8,000	5,896
Opel España	Automotive	7,400	6,323
Zardoya Otis	Capital goods	3,813	534
Lear (MAI)	Automotive	3,522	453
IBM España	Information technology	2,500	1,020
Hewlett-Packard	Information technology	2,116	1,223
Delphi	Automotive	1,380	213
Refrescos Envasados (Coca-Cola)	Beverages	1,041	612
Pfizer	Pharmaceuticals	1,103	933
Alcoa Inespal	Metals	999	580
General Electric (2)	Plastics, medical systems, finance	979	121
Dow Chemical Ibérica	Chemicals	620	1,027
Atlantic Copper	Capital goods	520	701
Johnson Controls	Automotive	400	157
Philip Morris Spain	Food and tobacco	394	855
Procter & Gamble España	Consumer products	363	564
Lucent Technologies	Information technology	300	143
Sara Lee (Southern Europe)	Consumer goods	287	125
Lilly	Pharmaceuticals	246	596
PBG Holding (Pepsi Cola) (2)	Beverages	223	96
Ingram Micro	Information technology	208	476
Esso Española	Petroleum	184	580

(1) 2004 figures.

(2) 2003 figures.

Source: Fomento de la Producción.

US companies have played a significant role in the internationalisation of the Spanish economy thanks to their greater experience and more sophisticated marketing chains and global distribution (see Table 6). Opel (General Motors) and Ford are regularly among the country's top ten exporters. The sector that exports the most is transport equipment, followed by chemicals (see Table 7).

Table 6. Sales by US Affiliates to Foreign Countries Other than the Host Country, 1984-2003 (US\$ mn)

Year	Amount	Year	Amount	Year	Amount	Year	Amount
1984	3,216	1989	4,556	1994	8,028	1999	12,356
1985	3,767	1990	5,284	1995	8,805	2000	12,074
1986	3,545	1991	6,679	1996	9,904	2001	13,151
1987	3,488	1992	6,506	1997	10,408	2002	13,829
1988	4,289	1993	6,031	1998	11,034	2003	18,340

Source: US Bureau of Economic Analysis.

Table 7. Sales of US Affiliates to Foreign Countries by Sector (US\$ mn)

Sector	1999	2003
Total manufacturing	11,298	16,684
Transport equipment	6,985	9,861
Chemicals	990	2,356
Food	147	192
Electrical equipment, appliances and components	667	642
Rest	2,509	3,633
Other sales	1,058	1,656
Total	12,356	18,340

Source: US Bureau of Economic Analysis.

But for the arrival of US companies, and multinationals in general, Spain's automotive industry would never have become the third-largest in Europe and the seventh world-wide. Ford's first car produced in Spain, the *Fiesta*, came off the assembly line at

Almussafes near Valencia on 18 October 1976 (Ford first came to Spain in 1907, when it established a dealership that sold five cars that year; in 1920 it set up a plant in Cadiz that assembled the Model T Ford). It was a far-sighted investment to make Spain a springboard for exporting to Europe, as it was made in the final year of the Franco regime when the business climate was uncertain and the country was focused on achieving a peaceful transition to democracy and entering the EU (which happened in 1986). Ford's exports of cars rose from 4,526 units in 1976 (26% of total production) to 326,277 in 2005 (88%, see Table 8).

Table 8. Exports of Vehicles, 1976-2005

Year	Exports (Units)	% of Total Output
1976	4,526	26
1980	209,834	79
1985	204,499	77
1990	211,543	63
1995	241,003	74
2000	287,052	83
2005	326,277	88

Source: Ford.

Ford chose to manufacture its new *KA* model in the 1990s at its Almussafes plant rather than at its facilities in Cologne, Germany, and Dagenham, UK. Albert Caspers, chairman of Ford Europe, said at the time that the plant in Spain was chosen because it has 'one of the highest productivity levels in the world and a quality standard on a par with other European factories'. In 2003 Spain began to assemble the *Mazda2*, the first car to be produced in Europe by Ford's 33%-owned Japanese affiliate Mazda, and Almussafes became the second factory in 2005, after Ford's Saarlus factory in Germany, to manufacture the new *Focus* car.

In 2006, General Motors chose its Zaragoza site over Poland to build the next generation of its Meriva compact van. The victory was particularly important because some foreign auto component firms have been moving out of Spain and relocating to countries with lower labour costs.

In the chemicals sector, most of the US players are manufacturers and they include Dow Chemical and DuPont. Dow Chemical's Tarragona plant in Catalonia is its European production centre and hence an important link in its global supply chain. A new €200 million plant was being completed in 2006 in Tarragona to produce special polyethylene plastics.

US companies are also strong in pharmaceuticals. Eight companies including Pfizer have a total market share of close to 30%. And in software, hardware and services, US companies account for close to 40% of total sales. Many of the big names are in Spain, including IBM (which first came to the country in 1926 and stopped manufacturing in Spain in 1995), Hewlett-Packard and Microsoft. Spain's importance for IBM increased in 2005, when it decided to restructure its operations and replace Paris with two new coordination centres for Europe, one in Madrid and the other in Zurich. Madrid is responsible for coordinating business in France, Italy, Belgium, Holland, Luxembourg, Greece, Israel, Turkey and Portugal. Spain houses IBM's MareNostrum, Europe's most powerful computer.

Another major US player in Spain is General Electric (GE), which in 2005 opened a new Lexan resins plant in Cartagena, Murcia, the third phase of the GE Advanced Materials, Plastics complex, at a cost of €600 million. This plant raised GE's total investment in Spain to more than €3 billion, making the company a heavyweight investor in Spain.

In the food and beverages industry, Spain has its ubiquitous McDonald's fast-food chains, like everywhere else in Europe, but it also has producers, such as Kellogg, Kraft, RJR Nabisco (which bought Royal Brands from Tabalacera) and Unilever Best Foods. Coca Cola and PepsiCo are also big in Spain –Barcelona is the headquarters of PepsiCo's Southern Europe Business Unit, which covers 11 countries–. Coors Brewing turned its factory in Zaragoza, which it bought from Heineken in 1994, into its hub for the European market. This purchase was Coors' first outside the United States.

In the defence industry, General Dynamics, as a result of its purchase of Santa Bárbara Sistemas in 2001, is the main supplier of equipment to the Spanish armed forces.

Spain's banking and insurance industries are two sectors of the economy which US companies, and foreign ones in general, have not penetrated to any significant degree. The only US bank with a network of branches in Spain is Citibank, which established itself in the country in 1983 after buying Banco de Levante. Other banks, such as Bank of America, JP Morgan Chase and Morgan Stanley, are present in Spain, but focused on wholesale, private and investment banking.

Spanish Investment in the United States

Spanish direct investment in the United States is relatively small, but it has been growing in recent years. The great bulk of the country's considerable investment abroad has been in Latin America and increasingly Europe, as of 2004. On a historical cost basis, according to the US Bureau of Economic Analysis, Spain's investment stood at US\$7.1 billion at the end of 2005, compared with US\$21.8 billion for the much smaller economy of Ireland, whose stock of investment in the country rose more than fourfold over ten years, but it is not that far behind Italy's (see Table 9). On a US per capita basis, Spain's investment is a little over US\$20.

Table 9. Foreign Direct Investment in the United States on a Historical Cost Basis

(US\$ mn)	1995	2005
Total	535,553	1,635,291
Canada	45,618	144,033
Europe	332,374	1,143,614
France	36,167	143,378
Germany	46,017	184,213
Ireland	4,749	21,898
Italy	3,062	7,716
Spain	3,237	7,114
UK	116,272	282,457
Latin America and other Western Hemisphere	27,873	82,530
Africa	1,113	2,564
Middle East	5,801	9,965
Asia and Pacific	122,774	252,584

Source: US Bureau of Economic Analysis.

The United States was the sixth-largest recipient of Spain's gross investment in 2005 (see Table 10). The policy of closer relations with Washington, forged by the previous centre-right Popular Party (PP) government of José María Aznar (1996-2004), had little effect on the levels of Spain's trade and investment, either because there was not enough time for the enhanced relation to have any effect or, more likely, because these issues, in a globalised economy, are hardly affected by changes in political relations.

Table 10. Main Countries Receiving Spanish Direct Investment in 2005 (€ mn and % of the Total) (1)

Country	Gross Amount	% of Total
France	4,999	21.8
Czech Republic	3,671	16.0
UK	2,300	10.0
Hungary	2,187	9.5
Argentina	1,871	8.1
US	1,363	5.9
Portugal	1,088	4.7
Luxembourg	968	4.2
Netherlands	940	4.1
Brazil	783	3.4

(1) Excluding special-purpose entities and based on the first or immediate country of destination and not the ultimate investing country.

Source: Spain's Foreign Investments Registry.

Latin America was a natural first choice for Spanish companies keen to invest abroad.²¹ As well as companies' need to offset the greater competition on their home ground, following Spain's EU entry in 1986, by expanding abroad, there were several pull factors. Two of them were purely economic: liberalisation and privatisation opened up sectors of the Latin American economy that were hitherto off limits. One is cultural: the common language and the ease, therefore, with which management styles can be transferred. The first major push into the United States came in 1999 when Telefónica bought the Internet portal Lycos for US\$12.5 billion at the height of the Internet boom and sold the US part of this business for US\$105 million in 2004 to South Korea's Daum Communications in what was one of Spain's biggest corporate failures. It kept Lycos' European portal business. Iberdrola, the electricity company, was in talks in 2000 to acquire Florida Power & Light Company, Florida's largest power company, but Iberdrola's Board never approved the mega US\$11 billion deal.

One of the very few Spanish investments in the US manufacturing sector is Acerinox's stainless steel plant in Carroll County, Kentucky. North American Stainless (NAS) was formed as a partnership in 1990 between Acerinox and the US company Armco, AMC (now part of AKL Steel). In 1994 Acerinox bought out all but 5% of Armco's shares, and since 2001 it is the sole owner of NAS. Acerinox has several plants in Spain and in 2002 became the world's third-largest steel producer when it acquired 64% of Columbus Stainless in South Africa.

Indra, Spain's leading information technologies and defence systems company, entered the US market in 1994 when it was selected by the US Navy to supply full mission simulators, radar trainers and test programme sets for the AV-8B+ Harrier combat aircraft. As well as the AV-8B+ Harrier, Indra has won tenders to supply simulators and test programme sets for other aircraft and helicopters (F-14 Tomcat, F-18 Hornet, MH-53 Sea Dragon and H-60 Sea Hawk), beating off competition from Lockheed Martin and Boeing among others. Indra has a wholly-owned subsidiary in Orlando, Florida, which develops, manufactures, supplies and maintains systems ordered by the US Navy. In the civilian field, Indra won the contract to supply ticketing equipment for the metro in St. Louis, Missouri.

EADS CASA, the Spanish arm of EADS, the largest aerospace company in Europe and the second-largest in the world, achieved a breakthrough in 2002, when the joint venture ICGS, between Lockheed Martin and Northrop Grumman, won the bid and decided to use EADS CASA's CN-235-MPA twin-turboprop aircraft rather than the C-27J, the main rival of the CN-235 and produced by another division of Lockheed Martin. The three initial

²¹ This subject is dealt with in much more detail in my book, *Spanish Direct Investment in Latin America: Challenges and Opportunities*, Elcano Royal Institute, 2003 (www.realinstitutoelcano.org/publicaciones/libros/SpanishDirect.pdf).

EADS CASA CN-235 MPAs will be the first of a planned multiyear procurement of MPAs for the Coast Guard's Deepwater System programme. The first one was due to be delivered in November 2006. The total number to be bought is 36, worth more than US\$700 million, with a back-up contract worth more than US\$400 million.

In infrastructure, Spain's construction companies have been very successful world-wide. Cintra, one of the world's largest private-sector developers of transport infrastructure and part of Grupo Ferrovial, teamed up with Australia's Macquarie Infrastructure Group (MIG) to win the first contract in the United States to operate a privatised toll road. The two companies won a 99-year lease to operate the Chicago Skyway as of 2005 at a cost of US\$1.8 billion. MIG has a 45% stake in the operation and Cintra 55%.

Cintra, together with the Texan company Zachry, followed this up by winning the contract to develop the first phase of the Trans-Texas Corridor (TTC-35) –a transport system for the future of the Lone Star State–. The proposed Corridor will be a multi-use, state-wide network of transport routes that will include separate lanes for passenger vehicles and large trucks, high-speed commuter railways, freight railways, infrastructure for utilities (such as water lines and oil and gas pipelines) and transmission lines for electricity, broadband and other telecommunications services. Ferrovial bought Webber Group, the third largest Texan construction group, for €178 million in 2005.

Spain has also taken its wind power expertise to the United States. Gamesa inaugurated its first wind park in the United States (in Illinois) in 2004. The electricity it produces is bought by Commonwealth Edison, the supplier of Chicago's metropolitan area. Gamesa has also been developing wind parks in Minnesota, Wisconsin, South Dakota and Iowa, among other states. Iberdrola, Spain's second electricity company and the world's largest wind-farm owner and operator, acquired Community Energy, based on Wayne, Pennsylvania, for €23.8 million in 2006. In solar energy, another promising area in Spain, Acciona, the construction and services group, is investing €220 million in a plant in the state of Nevada.

In the food industry, Ebro Puleva acquired Houston's Riviana Foods, the United States' largest rice processor, in 2004 for US\$380 million. Ebro Puleva has a 30% market share of the rice sector in Europe. With its *Carolina*, *Mahatma* and *Success* brands, Riviana is the main seller of rice in the United States by volume (with a 17% market share), and it has subsidiaries in Central America, Belgium and the UK. Riviana and Ebro Puleva had been partners for years –before the deal Ebro was Riviana's largest shareholder–. Ebro followed this up in 2006 with the purchase of New World Pasta for €282 million, making it the world's second-largest pasta specialist after Italian group Barilla. Another Spanish company, Grupo SOS, owns American Rice, one of the world's premier millers and marketers of branded rice products including *AA Rice*, *Adolphus Rice* and *Wonder Rice*.

In wines, Torres has vineyards in California for Chardonnay and Pinot Noir cultivation and Freixenet, the world's largest producer of sparkling wine (*cava*), has vineyards in the Sonoma Valley. Freixenet's main rival, Codorníu, also has vineyards in California (Napa).

In fashion, an area where Spain is increasingly successful, Zara, part of the Inditex group and the first Spanish company to join the Interbrand top 100 brands (in 2005 at number 77), has a store on New York's Fifth Avenue and 18 more in the United States.

Compared to their massive investments over the past decade in buying banks in Latin America, and, to a lesser extent, in Europe, Santander and Banco Bilbao Vizcaya

Argentaria (BBVA), Spain's two largest banks, have been very modest in their acquisitions in the United States.²² But this is changing.

In 2004 BBVA bought Valley Bank of California for US\$16.7 million and Laredo National Bancshares (LNB) of Texas for US\$850 million and in 2006 it acquired two more banks in Texas, Texas Regional Bancshares and State National Bancshares, for US\$2.6 billion. In 2005 Santander, by then the biggest bank in the Euro zone by market value, acquired a 20% stake in Sovereign Bancorp, based in Philadelphia and the US's 18th largest by assets, for US\$2.4 billion. This stake was close to 25% in August 2006, making Santander's total investment so far of US\$2.9 billion the largest single one by a Spanish company in the United States apart from Telefónica's problematic purchase of Lycos (see above). Santander has the option to acquire 100% in 2008. In September 2006, Santander paid US\$651million for 90% of Drive Financial, a Texas-based auto financing company and one of the leading lenders in the so-called 'sub-prime' segment. Santander already has an extensive consumer finance operation in Europe.

Much earlier, in 1991, Santander bought 13.3% of First Fidelity, New Jersey for US\$650 million and then built it up to almost 30% while Fidelity bought several smaller banks. In 1995 North Carolina's First Union Bank merged with First Fidelity, giving Santander an 11% stake in the new bank, the sixth largest in the United States. Santander then sold its stake for more than US\$2 billion and used the proceeds from this astute investment to amortise the goodwill on the acquisitions of banks in Latin America. Later, the ambitious idea of Emilio Botín, Santander's Chairman, to build a corporate city on the outskirts of Madrid housing 5,500 employees and many amenities including the largest workplace day-care centre in Europe –Grupo Santander City opened in 2004– was inspired by a visit to First Union's campus headquarters.

Both BBVA and Santander have banks in Mexico –Bancomer and Serfin, respectively the country's largest and third biggest– and their US purchases, particularly in BBVA's case, are related to exploiting these franchises. BBVA Bancomer is responsible for about 40% of remittances from Mexicans living in the United States.

California, where Valley Bank is located, has the largest concentration of Hispanics in the United States (more than ten million and mostly Mexican), and Texas more than five million Hispanics. Bancomer also has a strong position in the frontier states in Mexico, which enhances BBVA's business in California and Texas.

Santander is also involved in the remittances business. It sold 24.9% of Serfin in 2000 to Bank of America as part of a strategy to gain more Mexican-American customers in the United States and increase its market share of remittances.

Miami's emergence as a financial and business centre for Latin America, after the state of Florida was opened to foreign banks in 1978, led many Spanish commercial and savings banks –and not just the big commercial banks like Santander and BBVA– to open agencies or branches in the city. For example, Caixanova, a savings bank from Galicia in north-western Spain, opened an office in Miami as part of an effort to reach the 600,000 Galicians that live in South America. In 2003 Santander bought Coutts International's Latin American private banking division from The Royal Bank of Scotland (1,400 customers, US\$2.6 billion in assets), roughly doubling its assets in Miami.

²² In Puerto Rico, Santander and BBVA own the second- and seventh-largest banks, respectively, in terms of deposits –Santander Bancorp and BBVA PR Holding Corporation–.

Foreign Trade

Spain's efforts to sell to the world's largest market (excluding intra-European Union trade) have so far not amounted to very much. The United States takes around 4% of the country's total exports, less than the proportion that goes to all of Latin America and less than half that to neighbouring Portugal (see Table 11). It is normal for a country to trade more with its immediate neighbours (in the United States' case Mexico and Canada), but what reveals a weakness in Spain's case is that the UK, Germany, Italy and France trade much more with the United States as a proportion of their total trade.

Table 11. Spain's Exports by Geographical Area, 2005 (1)

	% of the Total
European Union	72.0
France	19.2
Germany	11.4
Portugal	9.5
UK	8.5
Asia	5.5
Latin America	4.5
Africa	4.2
United States	3.9
Rest	8.3

(1) 2005 figures.

Source: Secretariat of Trade.

According to US figures, Spanish exports account for a mere 0.5% of America's total foreign 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 2% share of global trade (see Table 12). Spain's share of the US market is more in line with that of medium-sized EU countries, such as Austria, Belgium or Denmark, whose economies are much smaller. Although the volume of exports is small, the United States 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.

Table 12. US Market Share of Exporting Countries (1)

(%)	1997	2000	2005
Canada	19.2	18.8	17.4
EU	18.1	18.1	18.5
Germany	5.0	4.8	5.1
UK	3.8	3.6	3.0
France	2.4	2.4	2.0
Italy	2.2	2.1	1.9
Spain	0.5	0.5	0.5
Japan	14.0	12.0	8.2
Mexico	9.9	11.2	10.2
China	7.2	8.2	14.5
Taiwan	3.7	3.4	2.1
South Korea	2.6	3.2	2.6

Note: figures are rounded up or down to nearest decimal point.

(*) Percentage of each year's US imports by country.

Source: US Department of Commerce, Bureau of Census.

Spain runs a trade deficit with the United States (€1.7 billion in 2005). Exports range from machinery and mechanical appliances to the more traditional footwear and ceramic products. The structure of exports very much reflects, as one would expect, the medium/low technology structure of the Spanish economy which, moreover, has gradually been losing competitiveness over the last few years. Spain slipped to 36th position in 2006 from 31st in 2004 in the competitiveness ranking of 60 countries drawn up by IMD.

The US market is very demanding and is not for the faint-hearted. Most Spanish companies ignore it, despite the many years of promotional and preparatory work in many

sectors by Spain's trade authorities –the Secretariat of Trade, the Spanish Institute of Foreign Trade (ICEX) and trade offices in the United States–. And despite the common language, Spanish exporters have only been able to scrape the surface of the fast-growing Hispanic market of more than 40 million people. This market is far from being homogeneous, something that is not fully appreciated among Spanish exporters.

Spanish exporters also do not benefit from the presence of a large community of Spaniards, as opposed to Hispanics, in the United States. Their number is very small, unlike the Irish and Italian communities. For example, there are only an estimated 20,000 Spaniards living in New York and the neighbouring states of New Jersey, Connecticut, Delaware and Pennsylvania.²³ One of the main factors behind the success of Italian exports to the United States is the ties between Italian exporters and Italian-American professionals. There is thus no critical mass that helps Spanish products to be introduced into a market and become known by word of mouth. This is particularly useful for gourmet and speciality foods, a market estimated to be worth a mouth-watering US\$27 billion in 2005. Irish bars, for example, act as channels for Irish beverages and food and the same goes for Italian restaurants. Spain's share of this market is miniscule but growing.

The relatively small volume of exports to the United States is also the result of the comparatively low level of Spanish direct investment in the United States, although this is starting to change. A very significant proportion of trade with the United States is intra-company: 40% of US imports are goods shipped by a parent company to its subsidiary in the United States, and around 30% of US exports are goods shipped by companies to their subsidiaries abroad. Trade with Germany is a good case in point: 60% of its exports to the United States are intra-company (9% by US subsidiaries to their parent companies and 50% by German companies to their subsidiaries in the United States). Spain's figure is much lower at 27%.²⁴ Ireland is another interesting example. Its market share of America's foreign purchases rose fourfold from 0.4% in 1991 to 1.7% in 2005. This increase was largely the result of intra-company trade resulting from a big rise in Irish direct investment in the United States and US investment in Ireland.

An area with considerable potential is the Spanish language which is becoming big business in the United States. The 42.6 million people of Hispanic origin accounted for more than 14% of the total US population in 2005, and by 2050 they are forecast to reach 25% of the population (see next section). And the number of students learning Spanish is far more than the total studying all other foreign languages combined. This provides opportunities for the publishing and media industries. Spain's publishing industry is the world's fifth-largest, and it has more than 160 subsidiaries abroad, but less than 5% of all book exports go to the United States. ICEX and the Federation of Spanish Publishers (FGEE) launched a €600,000 plan in 2005, the 400th anniversary of the publication of Miguel de Cervantes' *Don Quixote*, to promote the sale of books in the United States.

A critical mass of well-known global brands would help boost Spain's exports to the United States, where the perception of the country's level of economic and technological development and of the progress made in the quality of its products over the past 30 years is significantly lower than in the European Union (see Table 13). One of the factors behind the lack of well-known brands is that Spain still suffers in the United States from stereotyped images of the past –principally bulls and flamenco– that do not reflect today's reality of a modern and dynamic country and affect consumers' purchasing decisions. There is nothing wrong with stereotyped images; they can often be used successfully to

²³ According to the 2000 census, there were just over 100,000 Spaniards living in the United States (0.3% of the population).

²⁴ See Manuel Moreno Pinedo, 'La Economía de Estado Unidos, El Sector Exterior y las Relaciones Comerciales Bilaterales', *Boletín Económico de ICE*, 2839, 21/III-3/IV/2005.

promote products (in Spain's case tourism, for example). The problem for Spain is that, particularly in the United States, these are almost the predominant images by which it is known and they can have a powerful effect on people's perceptions. 'Americans know little about Spain so why on earth would they buy a product because it says Made in Spain on it?', says Tim Simmons, an independent brand consultant who works with ICEX and the Foro de Marcas Renombradas Españolas. 'The truth is that at this point in time, it probably still takes away more value than it adds at the point-of-sale'. Generally speaking, Spain lacks marketing and brand innovators. Most marketing efforts are mediocre text book strategies that do not cut in such a crowded and sophisticated marketplace as the United States.

Table 13. Negative Aspects Associated with Spain in the US and the EU

(%)	US (1)	EU
Underdeveloped country	3.7	0.0
Dictatorial system	1.9	1.9
Low per capita income	3.7	2.9
Importing country	5.6	1.9
Culturally uniform	3.7	5.8
Economically unstable	0.0	0.0
Small middle class	5.6	2.9
Low level of technological research	20.2	14.4
Low level of education	0.0	4.8
Underdeveloped Social Security system	0.0	4.8
Poor-quality products	11.1	4.8
Poor quality of life	1.9	1.0
Politically unstable	0.0	2.9
Low level of industrialisation	5.6	9.6
High level of unemployment	11.1	19.2
Little-known brands	25.9	23.1
Total	100.0	100.0

(1) The US and Canada.

Source: *La imagen de España y sus marcas en el mundo*, Foro de Marcas Renombradas Españolas, 2003.

Only one Spanish brand is among the world's 100 Best Global Brands, drawn up every year by Interbrand. Zara, the flagship of the textiles and clothing group Inditex, entered the list in 2005 at number 77. Americans who buy from Zara become familiar with the brand before they discover it is a Spanish brand. According to Simmons, one of Zara's intelligent choices was not to spend money in the competitive advertising world of fashion but instead to invest that money in prime real estate. By acquiring some of the world's most visible retail locations (for example, in Fifth Avenue, New York), Zara broke the rules of the game by using its own stores as its only significant form of advertising. As Woody Allen once said, 'Half of being successful in life is just showing up'. Other well known Spanish brands in the United States are Torres (wine), Freixenet (cava), Lladró (porcelain figurines), Carbonell (olive oil), Porcelanosa (ceramics), Marqués de Cáceres (wine), Sherry; Chupa Chups (confectionary products), Rioja (generic wine brand) and Majórica (pearl jewelry).

As for US exports to Spain, they too are low (less than 4% of Spain's total imports). As one would expect, imports from the European Union have been steadily rising since Spain joined the EU in 1986 (see Table 14).

Table 14. Spain's Imports by Geographical Area, 2005 (1)

	% of Total
EU	60.8
Germany	14.6
France	14.1
Italy	8.5
UK	5.7
Asia	15.6
Africa	7.5
Latin America	4.1
US	3.3
Rest of world	7.5

(1) 2005 figures.

Source: Secretariat of Trade.

The Hispanic Community in the United States

The official number of Hispanics in the United States is 42.6 million, not that far off Spain's population of 44 million (see Table 15). This community, the largest ethnic minority in the United States, is demographically, politically and economically an increasingly important force; however, despite Spain's historic links with the United States the government and Spanish society in general only recently began to take notice of it.

Table 15. Population Groups in the United States

Group	Population (1 July 2005)	Share of Total Population (%)
Hispanic	42,687,224	14.4
Black (1)	36,324,593	12.2
Asian (1)	12,420,514	4.2
American Indian (1)	2,232,922	0.7
Pacific Islander (1)	405,019	0.1
Two or more races (2)	3,973,695	1.3
White	198,366,437	66.9
Total	296,410,404	100.0

(1) Not Hispanic, single race; (2) not Hispanic.

Source: US Census Bureau.

Demographically, Hispanics account for more than 14% of the total US population, and they are the fastest-growing population group.

Economically, Hispanics' purchasing power is more than US\$700 billion, and by 2010 it will probably reach a trillion dollars (Spain's GDP reached that figure in 2004). The number of Hispanic-owned businesses grew by 31% between 1997 and 2002 –three times the national average for all businesses– according to a report by the US Census Bureau.

Politically, the Hispanic vote has become a critical factor in American politics, especially in presidential elections. Hispanic-Americans are concentrated in nine states which together control 75% of the electoral votes a candidate needs to win the presidency. Hispanics are gaining ground: the Senate, for the first time, has two Hispanic senators, Mel Martinez (Republican) and Ken Salazar (Democrat); there are 25 Hispanics in the House of Representatives (out of a total of 435 and compared with 21 in the first Administration of George W. Bush); Bush's Attorney General, Alberto Gonzales, and Commerce Secretary, Carlos Gutierrez, are both Hispanics; Bill Richardson, the governor of New Mexico, is partly Mexican; Los Angeles, the second-largest US city (population 3.7 million), elected in May 2005 its first Hispanic mayor in more than 130 years, the first commander of US troops in Iraq, Lieutenant General Ricardo Sanchez, was Hispanic, and the US ambassador to Spain, Eduardo Aguirre, is of Cuban origin.

Robert Souro, Director of the Pew Hispanic Centre, summed up well the increasing importance of the Hispanic community when he said Hispanics have gone from being a footnote to a paragraph in contemporary US history and are on their way to becoming a major chapter.

The Hispanic community, which is light years away from the mistaken stereotype of a monolithic world, requires a multifaceted approach and not one that views the Hispanic community as homogeneous and assumes that because of the shared language Spain has privileged access to it and a natural lobby. The Hispanic community is often compared to a salad –in which each of the elements can be distinguished although they form part of a whole– as opposed to a melting pot, which dissolves the ingredients and achieves total assimilation. Spain, with its centuries of conflictive history with Latin America, has to tread very carefully if it wants to win influence and friends in the Hispanic community and forge links that over the long term could bear fruit, both politically and business-wise.

There are several areas where Spain can work with the Hispanic community, most notably establishing better institutional relations with bodies representing Hispanics, jointly working on Spanish-language projects and finding ways for Spanish companies to participate in Hispanic companies, particularly in the field of culture (cinema, TV, music, etc). But it should always be borne in mind that, as Emilio Cassinello, former Consul General in New York, points out, ‘approaching the Hispanic community means approaching the United States. We must always keep in mind that Hispanics and the US cannot be analysed as two dissociable entities.’²⁵ Relationships can, and indeed are, being developed with Hispanic political leaders from both the Republican and Democratic parties (for example, with the two Hispanic senators, the Republican Mel Martinez and the Democrat Ken Salazar), but this has to be done without becoming involved in US internal politics.

A key player on both sides of the Atlantic is the United States-Spain Council, founded in 1996 by government and corporate leaders to promote greater trade and investment and provide educational and cultural exchanges. The Council, whose current President is Mel Martinez, meets once a year, alternating between Spain and the United States. Its members include government officials, members of the Spanish parliament and US Senate, businessmen and academics.

In 1998, the Council started a programme for young Hispanic leaders in conjunction with the Ortega y Gasset Foundation and the Menéndez Pelayo International University. Since then, more than 100 Hispanics have been selected and visited Spain and they have started to organise themselves in the United States as a group with specific proposals about how to develop stronger relations. These include:

- Alliances between the main cultural institutions of both communities.
- In order to strengthen the Spanish language in the United States, the Cervantes Institute should have a minimum of ten centres, beginning with those cities with the largest Hispanic populations. These centres would have special courses for those who speak it but do not write it well, as they learned the language from their parents but not formally.
- US school textbooks should be changed in order to more faithfully reflect the contribution that Spain and the Hispanic community have made to the United States since its independence.
- Promote Spanish investment in Hispanic companies and Hispanic investment in Spanish companies.

²⁵ See Cassinello (2005).

- Create a venture capital vehicle for Hispanic entrepreneurs.
- Explore the possibility of a co-production treaty between Spain and the National Association of Latino Independent Producers to promote the development, financing and production of films and TV programmes.
- Foster greater trade so that Spain will be the gateway to Europe for the products of Hispanic companies and Hispanic companies in the United States for Spain.

In April 2006 Palladium Equity Partners completed the final closing of a US\$520 million private equity fund, believed to be the largest such fund to date, focused on investing in companies expected to benefit from the explosive growth of the US Hispanic population. The fund has a blue chip investor base including BBVA, Spain's second-largest bank, and prominent pension funds such as CalPERS, CalSTRS, New York City, New York State and GE Pension Trust.

Cultural Relations

The growing importance of the Hispanic community in the United States and the concomitant rise in the learning of Spanish by non-Hispanics are engendering a substantial flow of cultural and educational relations and exchanges. Spanish is the most commonly taught foreign language in US secondary schools and universities, Spain is the third most popular country in the world after the UK and Italy for American students studying abroad, and the Fulbright programme, started in Spain in 1958, is today the third-largest in the world after Germany and Japan in terms of the budget allocated and the number of scholars going to the United States and Spain every year.

Nevertheless, given these factors, as well as the shared history –Spain played a decisive role in the American Revolution (1775-1783) by fighting against Britain–, it is striking how few Spanish institutions there are in the United States promoting Spanish language and culture, let alone countering the one-sided version of foreign participation in the Revolution (see the historical overview).

The Spanish cultural presence in the United States basically consists of the Cervantes Institute, the state-owned institution founded in 1991 for the teaching of Spanish abroad and promoting knowledge of the cultures of Spanish-speaking countries, which has centres in New York, Albuquerque and Chicago. There are two private US institutions in New York: the Queen Sofía Spanish Institute (established in 1954) and The Hispanic Society of America (founded in 1904 by Archer Milton Huntington). And Spain's Patrimonio Nacional, which administers the properties formerly vested in the Crown but now belonging to the Spanish State, began to collaborate with US museums in 2004, when it loaned works to the Seattle Art Museum for the 'Spain in the Age of Exploration' exhibition.

The teaching of Spanish is growing every year. According to the American Council on the Teaching of Foreign Languages, more than 4 million students in state secondary schools are learning Spanish. They account for close to 70% of all language enrolments in grades 7-12 (see Table 16).

Table 16. Foreign Language Enrolments in Secondary Schools as a Percentage of the Total (1)

Language	% of Total
Spanish	68.7
French	18.3
German	4.8
Latin	2.7
Spanish for native speakers	2.1
Italian	1.2
Japanese	0.8
Russian	0.2
Other languages	1.3

(1) 2000, latest available year.

Source: American Council on the Teaching of Foreign Languages.

The number of Americans learning Spanish in institutions of higher education is more than the total studying all other languages. Of the 1.39 million enrolments in 2002 (latest year available), 53.4% were for Spanish, 14.4% for French and 6.5% for German (see Table 17).

Table 17. Foreign Language Enrolments in US Institutions of Higher Education (1)

Language	1998	2002
Spanish	656,590	746,267
French	199,064	201,979
German	89,020	91,100
Italian	49,287	63,899
American Sign Language	11,420	60,781
Japanese	43,141	52,238
Chinese	28,456	34,153
Latin	26,145	29,841
Russian	23,791	23,921
Ancient Greek	16,402	20,376
Biblical Hebrew	9,099	14,183
Arabic	5,505	10,584
Modern Hebrew	6,734	8,619
Portuguese	6,926	8,385
Korean	4,479	5,211
Other languages	17,771	25,716
Total	1,193,830	1,397,253

(1) Data for college and university undergraduates in two-year and four-year institutions, and for graduate students.

Source: Modern Language Association.

The United States, however, does not appear to be moving towards a bilingual society, as assumed, despite the size of the Hispanic population. According to research by Douglas Massey at Princeton University and Ruben Rumbaut and Frank Bean at the University of California, Irvine, Spanish is giving away to English among Southern California's heavily Hispanic population.²⁶ The study suggests that Mexican immigrants arriving in Southern California today can expect only five out of every 100 of their great-grandchildren to speak fluent Spanish.

Another significant indicator is that Spain is the third most popular country in the world, after the UK and Italy, for American higher education students studying abroad (see Table 18). These students study a variety of subjects and not just Spanish. The number going to Spain is more than the total of those going to other Spanish-speaking countries. In the other direction, Spain is the seventh-largest sender of students to the United States from Europe, but low down the global list (see Table 19).

²⁶ See Douglas Massey, Ruben Rumbaut and Frank Bean, 'Linguistic Life Expectancies: Immigrant Language Retention in Southern California', *Population and Development Review*, September 2006.

Table 18. American University Students Abroad, Top 10 Countries (1)

Country	Number
UK	32,237
Italy	21,922
Spain	20,080
France	13,718
Australia	11,418
Mexico	9,263
Germany	5,985
Ireland	5,198
China	4,737
Costa Rica	4,510

(1) 2003/2004 academic year.

Source: Institute of International Education.

Table 19. International Students in the US, Top 10 European Countries (1)

Country	Number
Turkey	12,474
Germany	8,640
UK	8,236
France	6,555
Russia	5,073
Bulgaria	3,644
Spain	3,512
Italy	3,261
Romania	3,217
Sweden	3,106
Poland	2,861

(1) 2004/2005 academic year.

Source: Institute of International Education.

Spain joined the Fulbright programme (started in 1946 by Senator J. William Fulbright), in 1958 (see Table 20). Notable 'Fulbrighters' include Javier Solana, who was three times a minister in Socialist governments before becoming Nato's Secretary General and since 1999 European Union Foreign Policy Chief, Pilar del Castillo, education minister under the centre-right Popular Party, Pascual Maragall, the outgoing Socialist Premier of the region of Catalonia, Josep Borrell, the Socialist President of the European Parliament, and Miguel Sebastián, the chief economic advisor to Prime Minister José Luis Rodríguez Zapatero. According to María Jesús Pablos, the Executive Director of the Fulbright programme in Spain, 'a strong case can be made that the changes that have taken place in Spain over the last 30 years were influenced, if not shaped, by the efforts of those who studied in the United States, the majority of whom had Fulbright grants'.

Table 20. Fulbright Grants in Europe by Selected Countries, 1949-2003

Country	Total US and Foreign
Austria	6,440
Belgium	3,961
France	18,511
Germany	42,555
Italy	13,094
Netherlands	5,508
Portugal	3,284
Spain (1)	7,244
Turkey	4,247
UK	26,350

(*) 1959-2003.

Source: J. William Fulbright Foreign Scholarship Board.

Anti-Americanism in Spain

Despite the growing cultural links between the two countries, anti-Americanism (really anti-American foreign policy-ism) is on the rise in Spain. Just under a quarter of the Spanish public expressed positive views of the United States in the latest survey by the Pew Research Group, the gold standard of international opinion polls, down from 41% in 2005 and a high of 50% in 2000 (see Table 21). It was the third lowest level among the 15 countries surveyed after Jordan and Turkey.

Table 21.

Favorable Opinions of the U.S.

	1999/ 2000	2002	2003	2004	2005	2006
	%	%	%	%	%	%
Great Britain	83	75	70	58	55	56
France	62	63	43	37	43	39
Germany	78	61	45	38	41	37
Spain	50	--	38	--	41	23
Russia	37	61	36	47	52	43
Indonesia	75	61	15	--	38	30
Egypt	--	--	--	--	--	30
Pakistan	23	10	13	21	23	27
Jordan	--	25	1	5	21	15
Turkey	52	30	15	30	23	12
Nigeria	46	--	61	--	--	62
Japan	77	72	--	--	--	63
India	--	54	--	--	71	56
China	--	--	--	--	42	47

1999/2000 survey trends provided by the Office of Research, U.S. Department of State

Source: Pew Global Attitudes Project, 2006.

Anti-Americanism abated in 2005, in part because of the positive feelings generated by US aid for tsunami victims in Indonesia and elsewhere. It rose steeply in 2006, largely because of the prolonged war in Iraq and its consequences. In Spain, fully 56% say the US military presence in Iraq is a great danger to the stability of the Middle East and world peace (the third-highest level after Turkey and Jordan); only 38% regard the current government in Iran in the same way (see Table 22).

Table 22.

Dangers to World Peace

% saying 'great danger'	<u>Iran</u>	US in <u>Iraq</u>	North <u>Korea</u>	Israeli- Palestinian <u>conflict</u>
U.S.	46	31	34	43
Great Britain	34	41	19	45
France	31	36	16	35
Germany	51	40	23	51
Spain	38	56	21	52
Russia	20	45	10	41
Indonesia	7	31	4	33
Egypt	14	56	14	68
Jordan	19	58	18	67
Turkey	16	60	6	42
Pakistan	4	28	8	22
Nigeria	15	25	11	27
Japan	29	29	46	40
India	8	15	6	13
China	22	31	11	27

Source: Pew Global Attitudes Project, 2006.

The degree of Spain's cold feelings towards the United States (towards the Administration and its foreign policy, but not towards Americans) surprises many people.²⁷ After all, Spain has become a vibrant democracy and a successful market economy since the right-wing dictatorship of General Franco ended in 1975. Why are Spaniards so cool towards the United States?

There are six main elements that over the years have moulded Spaniards' feelings towards the United States:

- The Spanish-American War of 1898 when Spain lost Cuba, Puerto Rico and the Philippines, the remnants of its once vast empire.
- Washington's support of Franco after the 1936-39 Civil War.²⁸
- The 1953 Pact of Madrid, which established US bases in Spain.
- The lukewarm support for Spain's transition to democracy after Franco died.
- The Reagan Administration's backing of military dictatorships in Latin America.
- And, more recently, the US invasion of Iraq in 2003.

Anti-Americanism in Spain began to rise noticeably in 2003 after the centre-right Popular Party (PP) government of José María Aznar aligned itself with Washington over the war with Iraq against the wishes of the overwhelming majority of Spaniards.

Anti-Americanism cuts across the political divide, although today it mainly emanates from the left. The cross-party opposition to the war in Iraq was underscored by the

²⁷ Anti-Americanism means many different things. In the case of Spain, a distinction should be made between the conservative anti-Americanism of the Franco regime, which rejected US democratic, tolerant and free-market values, nationalist anti-Americanism, as a result of the 1953 bases agreement, which cut across classes and political parties, and left-wing anti-Americanism, stemming from US support for dictators in Latin America, the Vietnam war and other events. A distinction should also be made today between anti-Americanism and 'anti-Bushism'.

²⁸ One in every five respondents in a survey conducted in July 2006 by the *El Mundo* newspaper –more than 30 years after General Franco died– blamed the United States for maintaining the dictatorship. More than half (54%) of respondents aged between 45 and 64 –basically the generation responsible for the transition to democracy– said the United States bore a lot or quite a lot of the responsibility.

demonstrations around Spain in early 2003 when eight million people (roughly one in every five of the population) protested. The left took to the streets on an anti imperialism/war/globalisation ticket while the right was very much influenced by Pope John Paul's condemnation of the war. The Catholic Church remains powerful in Spain.

Both Europe and the United States are moving towards more liberal post-materialist values, but at different speeds and from different starting points. Europe is moving much faster than the United States and within Catholic Europe Spain, particularly, has become one of the most liberal and tolerant countries in the world.²⁹ Issues such as the death penalty in the United States and the intolerance of homosexuality and abortion by fundamentalists in America are now part of the anti-American discourse in Spain.³⁰ Women, whose role in Spain has changed almost beyond recognition, are particularly vociferous in these issues. More women are now at university in Spain than men, the current government has an equal number of male and female ministers and the proportion of working mothers has surged.

A victory by the PP in the next general election, to be held by 2008, could well see a swing back towards a more pro-Atlanticist foreign policy; however, given the profound opposition to the war in Iraq and the electoral setback for the PP in 2004 (largely because of its support for the war and the consequences of it), a future PP government would probably not go as far as the last one did in the event of further US military incursions. By moving closer to the United States, the PP was striving for 'major player' status for Spain, but opinion polls suggest that most Spaniards do not want to move in this direction.

Conclusion

Spain and the United States have several elements that make their relationship a special one, particularly the US bases in Spain, the very large Spanish investments in Latin America –America's backyard– and the growing importance of the Hispanic community in the United States, the country's largest ethnic minority. The two countries also suffered the worst terrorist attacks of the 21st century. None of these factors on their own make Spain a particularly important country for the United States, but together they do give Spain, the world's eighth-largest economy (now ahead of Canada, which, unlike Spain, is a G8 member), an added significance.

Politically, relations are back on a much more even keel. As regards direct investment in Spain, the United States is still a significant investor. How long this remains the case depends on factors such as Spain's ability to improve its ailing competitiveness. There will be no let-up, however, in the demand for US consumer products as Spain's population growth is no longer at a standstill, largely thanks to the enormous influx of immigrants over the last decade. The Spanish economy is still one of the fastest growing in Europe.

As for Spanish exports and direct investment in the United States, the sky is, in theory, the limit as levels remain comparatively low. There is also considerable scope for closer cooperation in other areas, particularly in the scientific and technological fields, and in cultural relations where a great deal more could be done to forge stronger links between the two countries and overcome misunderstandings.

²⁹ See Emilio Lamo de Espinosa, *A Difference that Makes a Difference? The US and Europe on Values and Culture*, Working Paper 8/2005, Elcano Royal Institute (www.realinstitutoelcano.org/documentos/183.asp).

The author recounts that when he moved from Francoist Spain to the University of California in 1970 he moved 'from counter-reformation to counter-culture, from Trent to Marcuse and hippy power. It was not so much travelling in space but travelling in time: from the past to the future'.

³⁰ 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.

Appendix

Table 23. Net Foreign Direct Investment in Spain by Selected Countries, 1995-2005

(€ mn)	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
France	453	609	71	551	131	766	1,105	1,258	503	294	-239
Germany	-22	163	293	432	458	174	407	2,227	706	-222	1,054
Luxembourg	115	76	28	398	1,594	924	842	1,729	906	-983	316
Netherlands	1,429	471	1,477	44	997	713	3,772	15	394	1,133	5,588
UK	389	261	222	123	1,967	12,909	391	588	2,093	2,871	-441
EU-14 total	2,738	2,079	2,117	2,656	5,457	15,948	8,837	7,158	6,048	1,133	6,025
US	437	321	404	186	408	375	294	-8	489	143	1,502
Total	3,543	2,769	3,008	3,654	5,908	17,228	9,565	7,562	6,886	2,324	8,309
US as % of total	12	11	13	5	7	2	3	NA	7	6	18

Figures since 1999 include direct investment in listed shares. The figures for the whole period exclude investment in Special Purpose Entities whose sole function is to hold foreign equity. These vehicles for international companies enjoy tax advantages if certain conditions are met. The large amounts in them inflate investment figures and they must be discounted in order to obtain the real picture of direct investment as it is generally understood. The table's figures cover investments in branches and in equity stakes in non-publicly quoted companies if the stake is equal to or exceeds 10%. They are for the immediate investing country and not the ultimate investing country.

Source: Foreign Investments Registry.

Table 24. Net Spanish Direct Investment Abroad by Selected Countries, 1996-2005

(€ mn)	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
France	32	72	176	708	1,819	799	449	610	2,657	4,859
Germany	85	59	357	1,426	1,351	1,782	5,839	735	474	-551
Netherlands	369	1,187	888	1,247	2,501	6,268	2,357	427	3,725	937
Portugal	459	711	615	431	1,352	673	719	1,445	1,278	928
UK	24	195	547	366	1,127	601	-1,692	3,291	16,501	2,233
EU-14 total	1,047	2,191	3,114	5,17	9,409	12,475	7,309	8,765	26,177	9,842
US	387	396	637	60	7,152	1,211	1,521	1,481	911	1,339
Total Latin America	1,496	5,227	6,061	27,091	21,503	6,137	2,131	2,177	5,332	3,032
Total	3,202	7,994	10,746	35,191	40,471	20,998	14,476	14,603	33,765	20,031
US as % of total	12	5	6	0.02	18	6	11	10	3	7

Figures since 1999 include direct investment in listed shares. The figures for the whole period exclude investment in Special Purpose Entities whose sole function is to hold foreign equity. These vehicles enjoy tax advantages if certain conditions are met. The large amounts in them inflate investment figures and they have to be discounted in order to obtain the real picture of direct investment as it is generally understood. The table's figures cover investment in branches and in equity stakes in non-publicly quoted companies and in publicly quoted companies if the stake is equal to or exceeds 10%. The figures are for the immediate investing country of destination and not the ultimate investing country of destination.

Source: Foreign Investments Registry.

Table 25. US Direct Investment Abroad without Current-Cost Adjustment by Selected Countries, 1995-2005

(US\$ mn)	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005 (1)
All countries	92,074	84,426	95,769	131,004	209,392	142,267	124,873	134,946	129,352	224,437	-12,714
France	5,196	4,463	2,971	4,323	2,111	1,967	476	4,604	1,074	8,385	859
Germany	3,349	1,956	2,464	3,051	5,658	3,811	11,823	2,416	4,376	8,961	7,141
Italy	2,506	416	123	-910	3,729	6,404	1,767	1230	2,862	3,555	-267
Spain	(2)	1,183	204	1,821	5,689	2,249	1,642	3,032	1,821	3,141	-517
UK	13,830	16,421	22,961	29,094	47,265	28,317	7890	15,265	26,738	26,604	10,873
% to Spain	N/A	1.4	0.2	0.1	2.7	1.6	1.3	2.2	1.4	1.4	N/A

US direct investment abroad is the ownership or control, directly or indirectly, by one US resident of 10% or more of the voting securities of an incorporated foreign business enterprise or the equivalent interest in an unincorporated foreign business enterprise. These figures are for total capital and consist of equity capital, intercompany debt and reinvested earnings.

(1) The fact that total capital outflows for US direct investment abroad were negative in 2005 means that the foreign affiliates of US companies send more money back to their US parents than the parents sent to them. It is likely that part of the reason for this is the American Jobs Creation Act, which allowed US companies to repatriate profits from their overseas affiliates to be taxed at a reduced rate under certain circumstances.

(2) Suppressed to avoid disclosure of data of individual companies.

Source: Bureau of Economic Analysis.

Table 26. Foreign Direct Investment in the United States without Current-Cost Adjustment by Selected Countries, 1995-2005

(US\$ mn)	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
All countries	58,772	84,455	103,398	174,434	283,376	314,007	159,461	74,457	53,146	122,377	99,443
France	2,725	7,244	10,951	11,368	29,834	51,001	14,546	4,624	4,526	11,599	4,446
Germany	7,908	19,616	11,110	42,986	23,478	14,054	40,206	1,990	12,280	1,055	16,166
Italy	197	333	-262	1,024	862	1,978	498	357	-215	1,130	386
Luxembourg	3,429	-2230	5,393	13,819	6,887	30,864	-21,498	-1,108	14,344	6,981	2,554
Netherlands	-1,526	12,262	12,344	6,533	41,689	33,517	24,036	4,337	6,365	9,348	7,113
Spain	789	60	330	361	309	6390	-170	41	672	556	1,743
UK	16,255	14,404	15,010	60,335	108,566	82,652	2,819	21,267	-4,385	22,888	28,878
% from Spain	1.3	0.07	0.3	0.2	0.1	2.0	-0.1	0.05	1.2	0.45	1.7

Foreign direct investment in the United States is the ownership or control, directly or indirectly, by one foreign resident of 10% or more of the voting securities of an incorporated US business enterprise or the equivalent interest in an unincorporated US business enterprise. These figures are for total capital and consist of equity capital, intercompany debt and reinvested earnings.

Source: Bureau of Economic Analysis.

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