REAL INSTITUTO elcano ROYAL INSTITUTE

Working Paper
Documento de Trabajo

Global Spain: the country's economic, military and soft presence

William Chislett

Working Paper 01/2017 | July 2017

Global Spain: the country's economic, military and soft presence

William Chislett - Real Instituto Elcano - July 2017

Real Instituto Elcano - Madrid - España
www.realinstitutoelcano.org

© 2017 Real Instituto Elcano
C/ Príncipe de Vergara, 51
28006 Madrid
www.realinstitutoelcano.org

ISSN: 1699-3504
Depósito Legal: M-26708-2005

Working Paper

Global Spain: the country's economic, military and soft presence

William Chislett

Index

1. Summary[1]

Almost 500 years since Juan Sebastián Elcano completed the first circumnavigation of the world and a vast empire was created, Spain has re-built a substantial but very different global presence. The Elcano Global Presence Index, first calculated for 1990 and which now covers 100 countries, measures this presence using objective data. The Index is based on three variables –economic, military and soft– and ranks Spain 12th. The country paid a high price during its Great Recession, which ended in 2013, although it did not regain the pre-crisis 2008 GDP level until the second quarter of this year, but one area –internationalisation– was hardly affected. The direct investment abroad of Spanish companies remains strong and exports of goods and services have surged. As regards its soft presence, the country successfully absorbed some 6 million migrants and tourism continued to set new records every year. Official development cooperation, however, has declined, while the military presence has held up, although it accounts for a smaller share of the global presence.

2. Elcano Global Presence Index

A well-established way to measure a country's presence beyond its borders is through the Elcano Global Presence Index. This Index, calculated with objective data, is based on three indicators –economic, military and soft presence– that, in turn, comprise different variables such as energy, development cooperation, troops deployed and tourism, all of which reflect cross-border presence as they have a specifically external component (see Figure 1).

Figure 1. Variables and indicators of the Elcano Global Presence Index

Variable	Indicator
	Economic presence
Energy	Flow of exports of energy products (oil, refined products and gas)
Primary goods	Flow of exports of primary goods (food, beverages, tobacco, agricultural commodities, non-ferrous metals, pearls, precious stones and non-monetary gold, excluding oil – Standard International Trade Classification 0+1+2+4+68+667+971)
Manufactures	Flow of exports of manufactured goods (chemical products, machinery, transport equipment, other manufactured products – Standard International Trade Classification 5 to 8 minus 667 and 68)
Services	Flow of exports of services in transport, construction, insurance, financial services, IT, the media, intellectual property, other business services, personal, cultural and leisure services, and public services
Investments	Stock of foreign direct investment abroad
	Military presence
Troops	Number of military personnel deployed in international missions and bases overseas
Military equipment	Weighted sum of aircraft carriers, big ships, destroyers, frigates, nuclear-powered submarines, amphibious ships, medium and heavy strategic aeroplanes, and air tankers

1 I would like to thank the following colleagues at the Elcano Royal Institute for sharing their expertise –Felix Arteaga, Manuel Gracia Santos and Iliana Olivié– and Domingo García (Madrid Stock Exchange), Pablo López (Leading Brands of Spain Forum) and Juan José Otamendi (Economy Ministry).

	Soft presence
Migration	Estimated number of international immigrants in the country at mid-year
Tourism	Arrivals of non-residents at borders
Sports	Weighted sum of points in the FIFA world ranking and medals won at summer Olympic Games
Culture	Exports of audiovisual services (cinematographic productions, radio and television programmes and musical recordings)
Information	Number of mentions in news of main international press agencies (AP, Reuters, AFP, DPA, ITARTASS, EFE, ANSA, Xinhua) Internet bandwidth (Mbps)
Technology	Foreign-owned patents: number of inter-related patent applications filed in one or more foreign countries to protect the same invention
Science	Number of articles, notes, and reviews published in the fields of the arts and humanities, social sciences, and sciences
Education	Number of foreign students in tertiary education on national territory
Development cooperation	Total gross flows of official development aid or comparable data

Source: Elcano Royal Institute.

Weights assigned to variables and dimensions are based on experts' criteria. This enables an overall index and ranking to be produced. Spain has remained in 12th position since 2014 (between 1995 and 2013 it was in 11th place). The US tops the ranking, followed by China (see Figure 2).

Figure 2. 2016 Elcano global presence index ranking out of 100 countries, Top 20

Country	Score	Country	Score
1. US	2,456.9	11. South Korea	223.6
2. China	729.6	**12. Spain**	**204.1**
3. Germany	622.9	13. India	188.5
4. UK	565.6	14. Australia	170.5
5. France	515.6	15. Belgium	158.2
6. Japan	466.4	16. Switzerland	156.2
7. Russia	419.4	17. Singapore	128.8
8. Canada	292.9	18. Brazil	118.2
9. Netherlands	275.6	19. Sweden	109.8
10. Italy	243.5	20. Saudi Arabia	102.9

Source: 2017 Elcano Global Presence Report, Elcano Royal Institute.

The latest Index, first calculated for 1990, has been enhanced, following a statistical audit by the Competence Centre on Composite Indicators and Scoreboards (COIN) of the Joint

Research Centre (JRC) of the European Commission. This led to methodological changes in the 2016 Index. In order to make each country's performance across the indicators comparable to that of another country, individual indicators are now denominated first by countries' GDP or population. These intensive/denominated variables can thus be added up and combined together to obtain the dimension scores. Only at a later stage the dimension scores are scaled-up taking into consideration the relative share of a country in global GDP (the economic dimension) or population (both the military and soft dimensions).

In Spain's case 59.3% of its global presence is due to its economic presence (49% in 1990), 29.8% to its soft presence (20.6%) and 10.9% its military presence (30.5%, see Figure 3).

Figure 3. Elcano Global Presence Index: largest EU countries by index values of the economic, military and soft dimensions, their % of global presence, global index value and ranking

	Economic presence and its % of global presence	Military presence and its % of global presence	Soft presence and its % of global presence	Global index value and overall ranking
France	702.6 (54.5%)	485.2 (18.8%)	348.3 (26.7%)	515.6 (5th)
Germany	1,057.4 (67.9%)	127.1 (4.1%)	436.4 (28.0%)	623.0 (3rd)
Italy	338.5 (55.6%)	230.0 (18.9%)	155.4 (25.5%)	243.5 (10th)
Spain	**302.4 (59.3%)**	**111.3 (10.9%)**	**152.2 (29.8%)**	**204.1 (12th)**
UK	704.0 (49.8%)	384.9 (13.6%)	517.5 (36.6%)	565.6 (4th)

Source: 2017 Elcano Global Presence Report, Elcano Royal Institute.

The country has a high global presence (12th in the Index) in relation to its position in the world in terms of the size of its economy (the 14th largest in nominal terms) and population (29th, see Figure 4).

Figure 4. GDP and population rankings of largest EU countries compared to their position in the Elcano Global Presence Index

	GDP (US$ trillion)	Population (million)	Global index ranking
France	2.41 (6th)	66.8 (21st)	5th
Germany	3.36 (4th)	81.4 (16th)	3rd
Italy	1.82 (8th)	60.8 (23rd)	10th
Spain	**1.19 (14th)**	**46.4 (29th)**	**12th**
UK	2.85 (5th)	65.1 (22nd)	4th

Source: 2017 Elcano Global Presence Report, Elcano Royal Institute.

Its economic presence is characterised by a strong service sector, a relatively low manufacturing weight compared with countries such as Germany or even Portugal and a relatively high weight of primary goods compared with France and Italy. Lastly, Spain has a notable soft presence (tourism, culture and more recently science), which has risen every year (see Figure 5). The percentage contribution of the economic presence variable to the global presence has declined since 2010, following the onset of recession, and likewise the military presence, while the soft presence contribution has risen.

Figure 5. Spain's global presence index: absolute values and % share in the index of the economic, military and soft presence dimensions

Variable	1990	1995	2000	2005	2010	2013	2014	2015	2016
Economic presence	48.3	63.1	94.5	130.3	158.5	139.8	130.0	128.6	121.0
% of global presence	49.0	52.3	58.6	62.7	62.0	59.5	60.6	60.3	59.3
Energy	1.5	0.7	1.6	2.3	2.2	3.7	3.6	3.8	2.4
Primary goods	6.8	11.4	11.7	14.6	14.9	15.7	16.2	16.4	15.6
Manufactures	14.5	19.0	22.1	26.2	22.8	21.5	23.3	23.4	22.5
Services	20.2	22.8	27.6	34.3	33.0	28.9	29.0	29.8	28.1
Investments	5.3	9.3	31.6	52.9	85.5	70.0	57.8	55.2	52.3
Military presence	30.0	30.9	31.7	34.1	36.2	36.0	22.3	23.0	22.3
% of global presence	30.5	25.6	19.7	16.4	14.2	15.3	10.4	10.8	10.9
Troops	0.3	5.8	9.7	9.7	8.8	8.3	2.9	3.4	3.6
Military equipment	29.8	25.1	22.0	24.4	27.4	27.7	19.5	19.6	18.6
Soft presence	20.3	26.6	35.0	43.5	61.0	59.3	62.3	61.6	60.9
% of global presence	20.6	22.0	21.7	20.9	23.9	25.2	29.0	28.9	29.8
Migrations	1.4	1.6	2.5	5.8	8.5	8.3	8.2	7.5	7.5
Tourism	7.7	6.3	8.3	9.4	8.4	8.9	9.3	9.9	10.3
Sports	0.7	2.2	1.1	2.1	2.8	2.6	2.3	2.5	2.2
Culture	3.3	6.7	10.4	9.3	11.7	12.6	12.5	12.3	12.2
Information	0.0	0.1	0.3	0.5	2.6	5.6	7.9	7.8	7.7
Technology	2.2	1.7	2.3	3.0	3.6	3.2	3.2	3.2	3.1
Science	2.3	3.8	5.0	6.8	10.1	11.4	11.8	11.9	12.0
Education	0.9	1.7	3.1	1.3	3.3	3.6	3.6	3.6	3.6
Development cooperation	1.8	2.4	2.2	5.2	9.9	2.9	3.5	2.9	2.4
Global presence index value	98.7	120.6	161.2	207.9	255.6	235.0	214.6	213.2	204.1
Position in the index	12	11	11	11	11	11	12	12	12

Source: 2017 Elcano Global Presence Report, Elcano Royal Institute.

The Index does not measure power as a country may have a strong international projection and a weak regional or global influence (or vice-versa): the relationship between presence and power depends on a country's foreign policy. The Index is calculated in order to determine the effective external projection of countries, regardless of their reputation or image. It thus reveals not only how present countries are in the global order, but also the nature of their presence.

The Index gauges the results of internationalisation, not its means. For example, a country may have deployed a significant number of troops abroad with a defence expenditure that is relatively smaller than that of another country with a smaller military presence. Nor does the Index measure the openness of countries, though it may help to analyse it. The Index considers the external projection of countries and not so much the way in which they absorb the external action of other countries in their national territory. That is why the Index considers the exports of manufactured goods but disregards imports.

The structure of this paper is guided by the variables that comprise the Index, but uses figures that were not available when the Index was drawn up. The figures for the 2016 index are for 2015 whereas those in this paper's tables include 2016.

3. Economic presence

3.1 Direct investment abroad

The outflow of Spanish direct investment outstripped the inflow of foreign direct investment (FDI) for the first time in 1997. Back then, the stock of inward investment was US$106 billion and that of outward was almost half that, at US$53.4 billion. Since then the inward stock has grown to US$556.6 billion in 2016 and the outward has surged to US$516 billion (see Figure 6), according to UNCTAD.

Figure 6. Outward stock of direct investment, 1990-2016 (US$ billion)

	1990	1995	2000	2005	2011	2016
France	119.8	373.0	365.8	635.5	1,247.9	1,259.4
Germany	308.7	505.7	483.9	794.2	1,434.8	1,365.3
Italy	60.2	106.3	169.9	244.5	521.3	460.4
Spain	**15.6**	**35.0**	**129.2**	**305.4**	**656.5**	**516.0**
UK	229.3	304.8	940.2	1,239.3	1,728.6	1,443.9

Source: World Investment Report, 2017, UNCTAD.

In GDP terms, outward investment stood at more than 40% in 2016, considerably higher than Italy and slightly above Germany on this basis (see Figure 7).

Figure 7. Outward stock of direct investment, 1990-2016 (% of GDP)

	1990	1995	2000	2005	2011	2016
France	9.4	23.2	26.7	28.7	43.6	51.1
Germany	19.4	19.5	24.7	27.7	38.1	39.4
Italy	5.1	9.1	14.8	13.2	22.9	24.9
Spain	**2.9**	**5.7**	**21.6**	**26.3**	**44.1**	**41.9**
UK	19.4	23.1	57.4	49.4	66.2	54.9

Source: World Investment Report, 2017, UNCTAD.

Spain has a hard core of multinationals that have been investing abroad significantly in the last 25 years, three of whom are among the world's 100 largest non-financial companies by foreign assets, one more than Italy but well below the UK (15), France (11) and Germany (11). These companies are Telefónica, Iberdrola and Repsol (see Figure 8), to which can be added the banks Santander, the euro zone's largest bank by market capitalisation, and BBVA in the world ranking of the main financial companies by foreign assets.

Figure 8. Spanish non-financial multinationals in the top 100, ranked by foreign assets (US$ billion), 2016

	Industry	Foreign assets	Total assets	Foreign sales	Total sales
22. Telefónica	Telecoms	106.7	130.3	43.5	57.6
28. Iberdrola	Energy	100.9	112.5	19.2	32.3
80. Repsol	Oil	46.7	68.3	15.4	38.4

Source: World Investment Report, 2017, UNCTAD.

Santander is one of the Financial Stability Board's 30 global systemically important banks, which means it is subject to higher capital buffer and total loss-absorbing capacity requirements.

The FSB was set up by G20 after the financial crisis –which saw the downfall of Lehman Brothers, and the near collapse of many other institutions including some Spanish savings banks (rescued by an EU bailout)– as a global watchdog for the financial sector.

The companies that comprise the Ibex-35 benchmark index of the Spanish stock exchange generated a record two-thirds of their revenues abroad last year (49.3% in 2008). Some companies such as ACS (construction), Gamesa (wind energy), Grifols (pharmaceuticals), Santander (banking) and Inditex (fashion retailing) generate more than 80% of their revenues internationally (see Figure 9). Not only the 35 main listed companies achieved a high proportion of their revenues outside of Spain. One-third of the 123 listed Spanish companies earned more than 70% of their revenues abroad. This was particularly important during Spain's long recession (the country did not recover its pre-crisis 2008 GDP peak until the second quarter of 2017) as it offset the steep decline in business in the home market.

Figure 9. International revenues of Ibex-35 companies, 2016 (€ million and % of total revenues)

Company	Sector	Total revenues (€ mn)	International (% of total)
Abertis	Motorways	4,758	69.9
ACS	Construction	32,000	86.6
Acerinox	Stainless steel	3,968	89.6
Aena	Operator of airports	3,709	5.5
Amadeus	Travel technology	4,473	95.0
Acciona	Construction	5,977	48.4
BBVA	Banking	27,708	78.5
Bankia	Banking	2,652	0.2
Bankinter	Banking	1,271	5.8
CaixaBank	Banking	6,753	0.2
Día	Supermarket chain	8,868	43.3
Endesa	Electricity & gas	18,313	9.1
Enagas	Electricity & gas	1,188	0.7
Ferrovial	Construction	10,759	75.6
Gamesa	Wind energy	4,612	94.8
Gas Natural	Electricity & gas	23,184	56.4
Grifols	Pharmaceutical	4,050	94.4
IAG	Airline	20,946	85.9
Iberdrola	Electricity & gas	29,215	53.9
Indra	Electronics	2,709	57.0
Inditex	Fashion retailer	23,310	81.8
Mapfre	Insurance	19,038	66.1
Mediaset	Media	985	2.0
Melia	Hotel	1,805	54.0
Merlin	REIT	352	2.3
Popular	Bank	2,930	10.0
Red Eléctrica	Electricity grid	1,932	2.8
Repsol	Oil	34,689	40.2
Sabadell	Bank	5,170	33.9
Santander	Bank	55,156	89.8
Técnicas Reunidas	Engineering	4,793	98.0
Telefónica	Telecoms	52,036	75.1
Viscofan	Food	731	86.6
Total		420,687	65.8

Source: Madrid Stock Exchange.

The first and very modest wave of outward direct investment occurred in the 1960s and early 1970s and accounted for a mere 0.1% of total international outflows of FDI. Spain at that time was opening up its economy after moving away from the autarky that followed the country's 1936-39 Civil War. Spain's share in FDI flows increased to 0.3% in the 1970s when investment in Latin American and Caribbean countries accounted for more than half the country's total outflows. Financial and commercial activities accounted for around three-quarters of Spanish direct investment in Latin America. Latin America's external debt crisis, triggered by Mexico's default in 1982, plunged countries into recession and changed the course of Spain's investment abroad. By 1985 the region's share of total direct investment had fallen from more than 50% to 20%.

The catalyst for a much stronger drive in outward investment came from joining the European Economic Community (as it was then known) in 1986 and the 1992 Treaty of Maastricht which created the EU. The strategic focus of corporate Spain changed from one of defending the relatively developed home market to aggressively expanding abroad. The liberalisation of the domestic market as European single market directives began to unfold made the big Spanish companies –particularly the state-run companies in oligopolistic sectors such as telecommunications (Telefónica), oil and natural gas (Repsol and Gas Natural) and electricity (Endesa), all of which were to privatised and become cash rich– and the big private-sector commercial banks conscious of the need to reposition themselves in the more competitive environment. The tougher environment was underscored by the boom in FDI in Spain in the first years after EEC entry, when hardly a week passed without an acquisition and it seemed that Spain was up for sale.

Liberalisation gave Spanish companies and banks the chance to go on the offensive, and they seized the opportunity in the 1990s provided by the wave of privatisations in Latin America. Outward investment surged from a yearly average of US$2.3 billion in 1985-95 to US$44.3 billion in 1999, US$94.4 billion in 2005-2007 and US$33.8 billion in 2013-2016. The outflow of US$137 billion in 2007 was the third-highest amount in the EU after the UK and Germany and the fourth in the world including the US, according to UNCTAD. The stock of outward investment rose from US$15.6 billion in 1990 to a peak of US$674 billion in 2014, the 10th largest in the world, a 43-fold increase. Since then it has declined to US$516 billion, mainly as a result of the euro's depreciation (the value of the stock in euros increased from €470.2 billion in 2010 to €528 billion in 2016).

The shift away from Latin America after the first wave of acquisitions and into Europe, particularly the UK, the US and to some extent Asia was marked by several emblematic investments: Santander's €12.5 billion purchase of UK bank Abbey in 2004, the acquisition by BBVA of two small banks in California and Texas, and Telefónica's purchase in 2005 of a stake in China Netcom and in 2006 of the O2 mobile telephony operator in the UK, Germany and Ireland for €26 billion –the largest Spanish acquisition of a foreign company after Repsol's purchase of the Argentine oil company YPF in 1999–.

Companies started a new wave of acquisitions in 2014, following the recovery in the domestic economy and spurred by the building up of large cash reserves, interest rates at historically low levels, an abundance of liquidity in markets and stock markets with an appetite for those companies financing their purchases by increasing their capital. The largest investment was Repsol's purchase of Canada's Talisman Energy for €6.6 billion, which came more than two years after Argentina expropriated Repsol's majority stake in YPF (for which it received a US$5 billion settlement). In the banking sector, BBVA, Spain's second-largest bank, increased its stake in Turkey's Garanti Bank to almost 49.85% and Banco Sabadell, the fifth biggest, made its first significant foray abroad and acquired the 600 branches of the UK's TSB, which was spun out of Lloyds after the latter was ordered to sell the business by European regulators as a condition of its £20.5 billion bailout (see Figure 10). The purchase increased Sabadell's assets held outside Spain from 5% to 22%.

Figure 10. Spanish acquisitions abroad, 2014-17

Company	**Sector**	**Company acquired and cost**
Repsol	Oil and gas	100% of Canadian Talisman Energy, €6.6bn plus debt
Gas Natural Fenosa	Gas	Chilean Compañía de Electricidad, €2.6bn
CLH	Oil products pipeline	UK distribution network, €138 million
BBVA	Banking	Stake in Garanti Bank increased to 49.85% in two purchases for a total cost of €2.6bn
Banco Sabadell	Banking	Take-over of UK's TSB, €2.3bn
Bankinter	Banking	Barclays retail and insurance business in Portugal for €175mn
Abertis	Infrastructure	90% of Italy's Wind Galata, €693mn
Vidrala	Container glass	UK's Encirc, €408mn
NH	Hotels	Colombia's Royal, €66mn
Tubacex	Stainless steel tubes	68% of India's Prakash and 65% of Italy's IBF, around €60mn
Grifols	Pharmaceuticals	45% of US Alkatest, €38mn
Enagas	Gas	Acquired with Belgium's Fluxys Swedegas for €200mn
Grupo Antolin	Auto-parts	The car interior division of Magna for €490mn
Abertis	Toll roads	Enters India with purchase of two toll roads from Australia's Macquarie Group for €140mn
Iberdrola	Electricity	Acquires 50% of Vineyard Wind located off the coast of Massachusetts from Copenhagen Infrastructure Partners

Source: Companies.

One of the most striking aspects of Spain's investment abroad is the extraordinary success of infrastructure and engineering companies in winning flagship infrastructure contracts (see Figure 11), including the building of the high-speed railway line between Mecca and Medina in Saudi Arabia (which began to operate in 2017) and the widening of the Panama Canal (completed in 2016).

Figure 11. Major infrastructure works won by Spanish companies in recent years

Country	Project
Saudi Arabia	Design and construct the high-speed railway line between Mecca and Medina. Awarded to a Spanish-Saudi consortium (12 Spanish companies)
Saudi Arabia	Design and construct lines 4, 5 and 6 of the Riyadh underground railway (65km of tracks, 25 stations and 24 viaducts). FCC leads the consortium
Peru	Lima underground railway. Awarded to a consortium led by ACS (25%) and FCC (19%)
Australia	East-West Link in Melbourne, the largest civil works project in the country. Awarded to Acciona
Turkey	Tunnel under the Bosphorus and Istanbul-Ankara high-speed railway. Awarded to a consortium led by OHL
Panama Canal	Building new access channels and locks and widening the existing navigation channels. Awarded to a consortium led by Sacyr (48%)
China	Hotel and leisure resort in Macau (world's largest tourist hotel). Contract awarded to ACS
Qatar	Sidra hospital in Doha. OHL leads the consortium (55%)
Russia	Ural polar project. Awarded to OHL
Canada	CHUM hospital in Montreal. Awarded to consortium led by OHL (50%)
Scotland	Cable-stayed bridge over the Firth of Forth and expansion of Aberdeen port. Awarded to a consortium led by ACS
Australia	Sydney light rail project. Consortium including Acciona
Mexico	Contracts to build and operate two combined-cycle power plants in Sinaloa awarded to Iberdrola
UK	Contract to complete enabling works on the 100km central section of the high-speed rail linking Birmingham and London awarded to Ferrovial Agroman CAF to supply 98 trains with carriages for the Northern franchise in the UK
US	Talgo wins contract to refurbish 74 rail cars of the Los Angeles Metro
	Consortium led by Ferrovial awarded contract to design and build segments of the State Highway 99 ring-road known as Grand Parkway in Texas
	OHL awarded contract for dry lake dust controls at Lake Owens in Keeler, California
Iran	Tubacex is to supply Iran's oil industry with €550 million of corrosion-resistant alloy pipes

Source: Ministry of Foreign Affairs and Co-operation and companies.

For several years now there have been more Spanish companies in the annual ranking of the world's top transport developers by the US publication Public Works Financing than any other country. The latest ranking has five Spanish companies in the top 10 (see Figures 12) and five based on the amount of invested capital (see Figure 13).

Figure 12. Ranking of the world's 10-largest transportation developers (1)

	Operating or under construction	Of which: in the US	Of which: in Canada	Of which: in home country	All other
1. ACS Group/ Hochtief (Spain)	**61**	**4**	**8**	**18**	**31**
2. Vinci (France)	46	1	3	16	26
3. Abertis (Spain)	**42**	**0**	**0**	**14**	**28**
4. Ferrovial /Cintra (Spain)	**40**	**5**	**3**	**11**	**21**
5. Macquarie (Australia)	40	3	1	1	35
6. Sacyr (Spain)	**31**	**0**	**0**	**15**	**16**
7. Meridiam (France)	28	7	3	3	1
8 Globalvia (Spain)	**27**	**1**	**0**	**16**	**10**
9. John Laing (UK)	26	3	0	14	9
10. Bouygues (France)	25	1	1	8	15

(1) Developers are ranked by the number of road, rail, port and airport concessions over US$50mn in investment value that they have developed worldwide, alone or in joint venture, and are currently operating or have under construction as of 1/X/2016.

Source: Public Works Financing.

Figure 13. Developers ranked by invested capital (1985-2016)

	Total invested capital (US$ mn) (1)	Total number of concessions, active, sold or expired
ACS (Iridium+Hochtief) (Spain)	**92,800**	**112**
Ferrovial (Cintra) (Spain) (2)	**85,800**	**65**
Vinci (France)	79,800	52
Macquaire (Australia)	53,400	65
Meridiam (France)	47,300	28
Bouygues (France)	44,200	31
John Laing (UK)	35,900	30
Sacyr (Spain)	**30,400**	**51**
Egis (France)	27,700	27
Globalvia (Spain) (3)	27,300	26
OHL (Spain)	**21,000**	**40**

(1) Total invested capital is the sum of the original investment, in nominal dollars, of all of a company's transport P3 projects (highways, transit, ports, airports) from 1985 to 1 October 2016. Projects are counted when a company had a substantial role as a developer in financing, building and operating a publicly owned asset, or in acquiring and improving/operating an asset for a set amount of time, under a long-term contract with government. To capture all of a firm's development experience we include both active and sold projects in the calculations. The numbers also reflect some double counting on the largest P3 projects where there is co-investment by a consortium of developers.
(2) Restated to include Ferrovial's 2006 acquisition, upgrade and management of BAA's UK airports, using a US$30bn enterprise value claimed in company presentations.
(3) Reflects only Globalvia projects, not FCC or Bankia's.
Source: Public Works Financing.

3.2 Exports

Spain's exports of goods and services rose from 25.3% of GDP in 2008, before the country went into a prolonged recession, to 35.2% in the first quarter of 2017, a significant rise even taking into account the shrinkage of economic output during this period and one that was largely responsible for the country's economic recovery (see Figure 14). Thanks to the exports' surge, the current account moved from a whopping deficit into surplus.

Figure 14. Spain's exports of goods and services (% of GDP), 1995-2016

	Exports of goods	Exports of goods and services
1995	15.3	21.9
2000	19.7	28.6
2008	17.3	25.3
2010	17.7	25.5
2015	23.3	33.2
2016	22.8	33.1

Source: Economy Ministry.

The €65.3 billion rise in exports of goods between 2008 and 2016 to €254.5 billion, and what looks like another record year in 2017, is a striking achievement, given that Spain is not known for being a country of export prowess. Exports in the first four months of 2017 were 9.8% higher year-on-year at €91.5 billion . Spain's share of world trade held steady at 1.7% (see Figure 15).

Figure 15. Ranking by global market share of merchandise exports (%), 2012-16

Country Ranking (1)	2012	2013	2014	2015
1. China	11.2	11.7	12.3	13.8
2. US	8.4	8.4	8.5	9.1
3.Germany	8.3	7.7	7.9	8.1
6. France	3.1	3.1	3.1	3.1
8. UK	2.6	2.9	2.7	2.8
11. Italy	2.7	2.8	2.8	2.8
18. Spain	**1.6**	**1.7**	**1.7**	**1.7**

(1) Ranked by position in 2012.
Source: World Trade Organisation.

Faced with plummeting demand from consumers, companies and the government, some companies had no alternative but to seek out markets abroad or in some cases face going to the wall, particularly small and medium-sized ones. Exports thus became a matter of survival. Profit margins were trimmed and wages held in check: average real wages are about where they were a decade ago.

The number of companies exporting rose from 109,363 in 2010 to 147,334 in 2016, 47,768 of whic were regular exporters (more than four consecutive years), 23.3% higher than in 2010. Many companies that started exporting after 2011, at the height of Spain's recession, are still exporting. This is a significant structural improvement, and one that needs to be maintained if Spain is to keep on improving its export performance.

Not only has Spain diversified its exports to a greater extent, but also its markets. Food, drinks and tobacco's share of total exports rose from 13.7% in 2007 to 16.9% in 2016, almost on a par with the automotive sector, and that of manufactured consumer goods rose from 8.6% to 10.1%, while the share of semi-manufactured non-chemical products dropped from 13.1% to 10% (see Figure 16).

Figure 16. Merchandise exports by sector, 2007 and 2016 (% of total)

	2007 (exports €181.5bn)	2016 (exports €254.5bn)
Food, drinks and tobacco	13.7	16.9
Energy products	4.6	5.2
Raw materials	2.0	2.2
Semi-manufactured non-chemical products	13.1	10.0
Chemical products	13.1	14.1
Capital goods	21.6	20.3
Automotive industry	18.2	17.7
Consumer durables	3.1	1.7
Manufactured consumer goods	8.6	10.1
Other goods	2.0	1.7

Source: Economy Ministry.

The EU's share of exports dropped from 70.1% to 66.3%, as companies moved more into Asia, including China, and Africa (see Figure 17).

Figure 17. Merchandise exports by geographic area, 2007 and 2016 (% of total)

	2007 (exports €181.5bn)	2016 (exports €254.5bn)
EU	70.1	66.3
Euro zone	55.9	51.8
France	18.6	15.1
Germany	10.8	11.3
Italy	8.5	8.0
UK	7.5	7.5
North America	4.6	5.0
Latin America	4.9	5.3
Asia	6.2	9.4
China	1.1	2.0
Africa	4.5	6.4
Rest	9.7	7.6

Source: Economy Ministry.

A weak area is exports with a high and medium-high technological component, which are low at only 5% of the total exports of goods (see Figure 18). To some extent this reflects Spain's low R&D spending, which at 1.3% of GDP is well below the EU average (2%) and almost less than one-third that of high-tech countries such as Finland. Around half the rise in goods exported between 2007 and 2016 came from fuels, food and raw materials.

Figure 18. Exports of high technology products, 2015 (% of total exports)

	% of total
Ireland	24.0
France	21.6
EU-28	17.0
UK	16.7
Germany	14.8
Italy	6.9
Spain	**5.4**

Source: Eurostat.

A very small number of exporter still account for a big share of exports. The 10 largest exporters accounted for 15.8% of total exports last year, a larger share than in 2010 (see Figure 19).

Figure 19. Percentage share of the value of Spain's exports by main exporters

Main exporters	% of total exports	
	2010	2016
Top 10	14.9	15.8
Top 25	22.7	24.5
Top 100	38.0	39.9
Top 500	57.3	58.3
Top 1,000	66.6	67.2
Top 5,000	87.8	87.6

Source: Ministry of Economy and Competitiveness.

The concentration of exports in few companies is due to the high atomisation in the corporate sector: the average size of firms is a fraction compared with that of many other developed economies. This atomisation limits export capacity as firm size is the largest single determinant for companies to start exporting. Larger firms tend to have higher productivity growth, so their unit labour costs typically rise less than for smaller and less productive firms. Critical mass also enables companies to access funding from banks and capital markets.

In order to build on its export success, Spain needs more medium-sized and large companies. Almost 40% of employment in Spain is generated by large and medium-sized companies, which represent, respectively, 0.1% and 0.7% of the total number of companies, while the remaining 60% of jobs are generated by 99% of companies, most of them family-owned. According to the OECD, more than 40% of workers in Spain are hired by firms with fewer than 10 employees compared with 29% in France, 19% in Germany and 11% in the US. One barrier to becoming larger is that a firm with more than 50 workers must create a union committee. If sales exceed €6 million –a threshold unchanged for 20 years– it faces more onerous tax procedures.

As well as the size problem, few companies have a presence outside of Spain, be it in the form of a subsidiary, a merger, a joint venture, a distributor or a franchise. According to a survey published in June, 47% of 577 companies questioned, many of them exporters, had no international presence of any kind (see Figure 20). A presence denotes a greater degree of internationalisation and commitment to a market and tends to enhance a company's export capacity.

Figure 20. The number of countries in which Spanish companies have a presence (1)

Number of countries	Turnover below €12mn (%)	Turnover above €12mn (%)	Total (%)
0	62.5	22.8	46.8
1	17.7	10.7	15.0
2	8.7	10.3	9.3
3-5	8.7	21.4	13.7
6-10	1.2	17.0	7.4
10-20	0.0	9.4	3.7
20-50	1.2	7.1	3.5
More than 50	0.0	1.3	0.5

(1) Excluding Spain.
Source: Leading Brands of Spain Forum, ICEX and IESE.

One fifth of these 577 companies export to between six and 10 countries (see Figure 21).

Figure 21. The number of countries to which Spanish companies sell (1)

Number of countries	Turnover below €12mn (%)	Turnover above €12mn (%)	Total (%)
1	5.5	1.3	3.8
2	8.4	1.8	5.8
3-5	23.6	7.1	17.1
6-10	22.2	14.2	19.1
10-20	20.5	20.0	20.3
20-50	14.7	28.9	20.3
More than 50	5.2	26.7	13.6

(1) Excluding Spain.
Source: Leading Brands of Spain Forum, ICEX and IESE.

The US is the country regarded as the most important in terms of sales by Spain's 173 leading companies, most of whom belong to the Leading Brands of Spain Forum (see Figure 22).

Figure 22. Countries regarded as the most important by Spain's leading companies, top 10

	% of companies
US	46.6
Mexico	38.1
UK	35.2
Portugal	32.9
France	31.2
Germany	28.9
Italy	26.7
Brazil	26.1
China	24.4
Chile	22.1

Source: Leading Brands of Spain Forum.

Looking ahead, the future importance of countries changes. The UK's importance drops considerably, because of the uncertainty over the outcome in 2019 of the Brexit negotiations which started in June, while India and Russia enter the list of the top 10 countries with the greatest potential (see Figure 23).

Figure 23. Countries regarded as having the greatest potential in terms of sales, top 10

	% of companies
US	27.3
China	23.3
Mexico	18.2
Germany	14.8
Brazil	14.2
France	11.4
Colombia	11.4
India	10.8
Russia	9.6
UK	9.6

Source: Leading Brands of Spain Forum.

4. Military presence

Spain's first international military mission was in 1989, 14 years after the end of General Franco's dictatorship, when soldiers participated in the UN's peacekeeping mission in Angola. Since then the country has taken part in more than 50 missions of a different nature in countries such as Nicaragua, Haiti, Bosnia-Herzegovina, Ruanda, Albania, Kosovo, Afghanistan, Pakistan, Iraq and Lebanon (see Figure 24). In Afghanistan alone, more than 13,000 troops have participated in missions. The only mission in which Spain was in a combat role was in Bosnia-Herzegovina when it participated in allied air attacks. The rest of the missions were humanitarian, peace keeping or as observers.

Figure 24. Spain's ongoing international military missions

Place	Mission	Started	Mandate
Afghanistan	Resolute Support	December 2001	NATO
Baltic	Air police	March 2004	NATO
Lebanon	FINUL	September 2006	NATO
Indian Ocean	Atalanta	September 2008	EU
Indian Ocean	Ocean Shield	October 2008	NATO
Somalia	EUTM-Somalia	January 2010	EU
Horn of Africa	EUCAP Néstor	November 2011	EU
Colombia	UN Peace Agreement	August 2012	NATO
Mali	EUTM-Mali	January 2013	EU
Senegal	Ivory detachment	January 2013	EU
Gulf of Guinea	Defence diplomacy	September 2014	Spain
Turkey	Support	September 2014	NATO
Iraq	Support	October 2014	NATO
Mediterranean	EUNAVFORMED Shopia	June 2015	EU
Mauritania	Cooperative security	September 2015	Spain
Senegal	Cooperative security	September 2015	Spain
Central African Republic	EUTMRCA	July 2016	EU
Various zones	Sea Guardian	November 2016	NATO
Various zones	NATO permanent naval groups	January 2017	NATO
Tunis	Cooperative security	March 2017	Spain
Latvia	Advanced and reinforced presence	June 2017	NATO

Source: Ministry of Defence.

The missions have come at a heavy price: 171 members of the armed forces have been killed, 62 of them in an air accident in May 2003 when a Russian-built Yak-42 bringing them back from Afghanistan crashed in Turkey, and six soldiers belonging to the UNIFIL contingent in Lebanon were killed in June 2007 by a car bomb.

Spain's military presence (10.9% of its global presence) is much more through equipment, such as tanks and frigates (to a greater extent, for example, than Germany), than the number of troops. This has helped the armed forces to modernise and become more professional and enabled them to participate in leading international operations under the mandate of the EU, NATO and the Organisation for Co-operation and Security in Europe (OSCE). This, in turn, has made Spain a more visible international player committed to peace and security.

5. Soft presence

Spain's soft presence accounts for 30% of its global presence. The main components are culture, science, tourism and migrations. The one whose importance has risen the most since 1990 is science, as a result of the growth in the number of published articles, notes and reviews, as well as patents. Despite cutbacks in public spending on I+D+i, which has led to the emigration of scientists, particularly young ones, the international projection of Spain's scientific activity was not dented during the country's recession. Science's absolute value in the soft presence dimension rose from 10.1 in 2010 to 12.0 in 2016

5.1 Tourism

Spain is credited for inventing mass tourism in the 1960s. Today, the labour-intensive industry, a mainstay of the economy –it was one of the few sectors not to have been affected by the Great Recession– generates around 12% of GDP and is a major provider of jobs. The country received 23.1 million more tourists between 2010 and 2016, and 2017 looks like being another bumper year (see Figure 25). In world terms, Spain is ranked third by number of tourists after the US and France and second by receipts after the US.

Figure 25. International tourist arrivals and receipts, 2009-16

	2009	2010	2011	2012	2013	2014	2015	2016
Visitors (mn)	52.2	52.5	56.7	57.5	60.7	64.9	68.2	75.6
Receipts (US$bn)	53.2	52.5	59.9	56.3	62.6	65.1	56.5	60.3

Source: World Tourism Organisation.

The country could become a victim of its success in some of the most visited tourist attractions. Barcelona, for instance, is heaving under the weight of tourists to the anger of some local residents, thousands of whom marched down La Rambla last January to protest the volume of visitors (more than 30 million annually in a city of 1.6 million) which is pricing locals out of the property market. One-fifth of Barcelona's residents said the most serious problem facing the city was tourist massification, according to a survey published by the Town Hall in June 2017. The Town Hall slapped the home-sharing companies Airbnb and HomeAway each with €600,000 fines last year for listing unlicensed tourist rentals.

5.2 Migrations

Immigrants have changed the face of Spain. The foreign-born population peaked at 5.7 million in 2012 (12.1% of the total), up from 800,000 in 1990 (2.1%). When the economy was booming, Spain received more immigrants per capita over a 10-year period than any other country in the world except for the US. Since 2012 their number has declined every year, to 4.5 million at 1 January 2017 (9.8% of the total), because of the economic crisis and far fewer arrivals. The jobless rate for foreigners in March 2017 was still some eight points above the figure for Spaniards of 17.8%, according to the quarterly labour force survey.

The country with the largest community is Rumania, with close to 700,000, well down on almost 900,000 in 2012 (see Figure 26).

Figure 26. Registered foreign population by the Top-10 countries of origin, 1 January 2017 and 1 January 2012

	2017(1)	2012	Change
Morocco	747,872	788,563	-40,691
Rumania	684,532	897,203	-212,671
UK	236,669	397,892	-161,223
China	207,593	177,001	+30,592
Italy	189,005	191,901	-2,896
Colombia	145,055	246,345	-101,340
Ecuador	141,582	308,174	-166,592
Bulgaria	126,997	176,411	-49,414
Germany	110,378	196,878	-86,500
Ukraine	102,786	88,966	+13,820
Other	1,857,389	2,266,924	-409,535
Total	4,549,858	5,736,258	-1,186,400

(1) Provisional figures.
Source: INE.

To Spain's credit, the influx of immigrants has not produced any relevant xenophobic, far-right movements or parties, making the country in this respect an exception to the European norm. The far-right VOX won a mere 0.2% of the vote in the June 2016 general election. Many Spanish families had relatives who migrated to Europe in the 1950s and 1960s, helping them to view today's migrants with understanding and sympathy. According to the British think-tank Demos, Spain is the most tolerant EU country towards immigrants.

The balance of this wave of migrants over a period of less than 20 years is generally very positive, but Spain is still far from those countries where first-generation immigrants and their offspring have succeeded in playing an important role in public life. For now, those immigrants hailing from countries poorer than Spain occupy a secondary position both in the employment and wealth structure as well as in terms of social status.

5.3 Development cooperation

José Luis Rodríguez Zapatero, the previous Socialist Prime Minister (2004-11), set 2012 as the year when Spain would reach the long-standing United Nations target of devoting 0.7% of its GDP to net official development assistance (ODA), but the country's Great Recession and the spending cuts that followed it put paid to this ambition. Net ODA stood at 0.33% of GNI in 2016, although this was almost treble that in 2015 mainly because of exceptional debt relief for Cuba (see Figure 27).

Figure 27. Net official development assistance (% of GNI), 2015-16

	2016	2015
France	0.38	0.37
Germany	0.70	0.52
Italy	0.26	0.22
Spain	**0.33**	**0.12**
UK	0.70	0.70
Average of DAC countries (1)	0.40	0.40

(1) OECD countries that are members of the Development Assistance Committee.
Source: OECD.

6. Conclusion

Internationalisation, part and parcel of Spain's liberalisation over the last 40 years, and with it an increased global presence in many different spheres has been good for the country in many ways. Economically, it has helped the country weather tough times (without the boom in exports, for example, the recession would have lasted even longer), militarily it has shown the world that Spain is playing a not insignificant but largely unknown role in peace and security and its soft presence showcases a tolerant, attractive and culturally vibrant country.

Bibliography

Chislett, William (2016), A New Course for Spain: Beyond the Crisis, Elcano Royal Institute, Madrid, http://www.realinstitutoelcano.org/wps/wcm/connect/4042b2804bb4115fa0a5ba6e9c1af357/Chislett-New-course-for-Spain-beyond-crisis.pdf?MOD=AJPERES&CACHEID=4042b2804bb4115fa0a5ba6e9c1af357.

Elcano Royal Institute (2017), Elcano Global Presence report, http://www.globalpresence.realinstitutoelcano.org/en/.

González Enríquez, Carmen (2016), Highs and lows of immigrant integration in Spain, Elcano Royal Institute, Madrid, http://www.realinstitutoelcano.org/wps/portal/web/rielcano_en/contenido?WCM_GLOBAL_CONTEXT=/elcano/elcano_in/zonas_in/ARI47-2016-GonzalezEnriquez-Highs-lows-immigrant-integration-Spain.

UNCTAD (2017), World Investment Report, http://unctad.org/en/PublicationsLibrary/wir2017_en.pdf.

Sponsored by

GOBIERNO DE ESPAÑA
MINISTERIO DE ASUNTOS EXTERIORES Y DE COOPERACIÓN

GOBIERNO DE ESPAÑA
MINISTERIO DE DEFENSA

GOBIERNO DE ESPAÑA
MINISTERIO DE EDUCACIÓN, CULTURA Y DEPORTE

GOBIERNO DE ESPAÑA
MINISTERIO DE ECONOMÍA, INDUSTRIA Y COMPETITIVIDAD

ACERINOX
AIRBUS GROUP
ATLANTIC COPPER
BBVA
CaixaBank
enagas
gasNatural fenosa
IBERDROLA
IBM
INDITEX
indra
"MM MUTUAMADRILEÑA"
OHL
RED ELÉCTRICA DE ESPAÑA
renfe
REPSOL
Santander
tecnalia Inspiring Business
Telefónica

Business Advisory Council

CAF BANCO DE DESARROLLO DE AMÉRICA LATINA
endesa
Escribano Mechanical & Engineering
Fundación Cajasol
IBERIA

With the collaboration of

CLH

REAL INSTITUTO
elcano
ROYAL INSTITUTE

Príncipe de Vergara, 51
28006 Madrid (Spain)
www.realinstitutoelcano.org
www.blog.rielcano.org
www.globalpresence.realinstitutoelcano.org