Inside Spain 68

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Foreign Policy

Spanish Troops Return to Africa

Sixteen years after withdrawing its air force detachment from Equatorial Guinea, a former Spanish colony, Spanish troops are returning to Africa, albeit in small numbers, and not in humanitarian aid or peacekeeping missions but under the wing of US Africa Command (AFRICOM) and the EU.

Around 30 Spanish troops have so far been involved in instruction and training programmes for local armies in Mali, Mauritania, Senegal and Nigeria. Two Catalan voluntary workers were kidnapped by al-Qaeda six months ago.

Spain has more than 3,500 troops abroad (see Figure 1). This will increase as of July when 500 more troops will go to Afghanistan where they will involved in reconstruction and humanitarian tasks.

Figure 1. Spanish Military Missions Abroad

Mission	Country	Number	Deaths
EU Training Mission Somalia	Uganda	38	0
EUSEC	Democratic Republic of Congo	1	0
EU Naval Force (ATALANTA)	Somalia (anti-pirates)	300	0
EU SSR Guinea-Bissau	Equatorial Guinea	2	0
UN Peacekeeping force (Unifil)	Lebanon	1,100	7
EUFOR Althea	Bosnia-Herzegovina	580	0
ISAF	Afghanistan	1,068 (1)	91
MONUC	Democratic Republic of Congo	2	0
UNMIK	Kosovo		

(1) To be increased to 1,500 as of July.
Source: Defence Ministry.

Budget Cuts Deal Blow to Spain's Goal of Reaching the UN's Development Assistance Target

The government will miss its ambitious target of reaching the United Nation's official development assistance (ODA) goal of 0.7% of GDP in 2012, three years ahead of the UN's date, because of sweeping budget cuts, Soraya Rodríguez, the Secretary of State for Co-operation, said.

The development aid budget is to be slashed by €800 million in 2010 and 2011.

Spain's ODA has grown considerably since the Socialists were returned to power in 2004. In 2009, Spain was the world's sixth-largest contributor in absolute terms (see Figure 1).

Figure 2. Official Development Assistance, 2009 (US$ million)

Country	Development Assistance
US	28,870
France	12,430
Germany	11,980
UK	11,500
Japan	9,480
Spain	**6,570**
Netherlands	6,430
Sweden	4,550
Norway	4,090
Canada	4,010
Italy	3,310

Source: OECD.

According to projections by the Organisation for Economic Cooperation and Development (OECD) earlier this year and made before EU countries announced budget cuts, Spain and the UK were on course to be the only large EU countries to reach the EU's target of giving 0.51% of their GDP as aid to poor countries in 2010 (see Figure 2).

Figure 3. Net Official Development Assistance (% of GDP)

	2004	Current projection for 2010
Sweden	0.78	1.03
Norway	0.87	1.00
Netherlands	0.73	0.80
Belgium	0.41	0.70
UK	0.36	0.56
Ireland	0.39	0.52
Spain	**0.24**	**0.51**
France	0.41	0.46
Germany	0.28	0.40
Italy	0.15	0.20

Source: OECD.

Around 40% of Spanish aid goes to Latin America (mainly the poorer Central American countries) and the rest to the Maghreb, sub-Saharan Africa, the Middle East (with special emphasis on the Palestinian territories), the Philippines (a former colony) and Vietnam.

Domestic Scene

Rodríguez Zapatero Rejects Popular Party's Call for Early Elections

Prime Minister José Luis Rodríguez Zapatero rejected the growing calls by the conservative Popular Party (PP) for an early election, saying that what Spain needed in its economic crisis was political stability.

The Socialist government's austerity package (see *Inside Spain*, Newsletter 67, 19 May 2010) was only approved in parliament by a majority of one vote. It would have lost but for a decision to abstain by the Catalan nationalist party *Convergència i Unió*. The Socialists do not have an absolute majority (169 of 350 seats) and have to negotiate deals with regional parties and the United Left (IU) in order to achieve approval for their measures.

The PP voted against the spending cuts, despite calling for a reduction in public expenditure. The party believes there is another austerity route, but it has yet to spell out how it would tackle the budget crisis.

José María Aznar, the former PP Prime Minister between 1996 and 2004, listed seven measures in an article in the *Financial Times* on 17 May. They included sweeping reforms to reduce the size of regional administrations; changes to the state pension system; deregulation to increase competition; large-scale labour reform to transform collective bargaining, deregulate labour recruitment services, lower taxes on employment and encourage the unemployed into work; and a bank shake-up, including authorising the investment of private capital in savings banks and tax reform.

Analysts say Spain would benefit in the long run from these structural reforms, but they do not solve the immediate problem of the need to cut a budget deficit that reached 11.2% of GDP in 2009.

An opinion poll in the centre-left daily *El País* conducted by Metroscopia and published on 6 June showed 53% of respondents rejecting the PP's call for an early election. It also painted a bleak picture of the political scene: 86% said they had little or no confidence in Rodríguez Zapatero and 79% in Mariano Rajoy, the PP's leader (these figures were 77% and 82%, respectively, in the previous poll).

Among respondents who declared themselves Socialist voters, 70% said they had little or no confidence in the Prime Minister and 49% of PP voters said they had little or no confidence in Rajoy. Sixty-nine percent said the government had lost the capacity to solve the economic crisis and 73% said the PP would do no better, while 72% said Rodríguez Zapatero should not stand for a third term in office and 60% said Rajoy should not be the PP's candidate for the third time.

The same poll said the PP would win an election if held tomorrow (it is not due until March 2012) with 43% of the vote compared to 32.5% for the Socialists. Rodríguez Zapatero won the 2008 election with 43.7% of the vote against the PP's 40.1%.

The PP's call for early election echoes the tactic it used during the last Socialist government of Felipe González (1993-96) when the minority administration, battered by corruption scandals and an economy in the doldrums, was forced into an early election one year ahead of schedule.

The PP is expected to step up its pressure in the coming months ahead of the parliamentary approval in the autumn for the government's 2011 budget.

French Police Arrest ETA's Military Leader

Mikel Kabikoitz Karrera Sarobe, the suspected military leader of the Basque terrorist group ETA, was captured by French police in the south-western town of Bayonne along with two other alleged activists.

Alfredo Pérez Rubalcaba, the Spanish Interior Minister, said Karrera Sarobe was the sixth ETA leader to be arrested in the last two years. 'He is currently the most senior leader of the terrorist group, the head of its military operations, the one who gives orders to ETA commandos', said Pérez Rubalcaba.

One of the other people detained was Arkaitz Aguirregabiria del Barrio, described by Pérez Rubalcaba as ETA's number two.

ETA has been waging a 41-year campaign for an independent Basque homeland and is blamed for more than 820 deaths.

Economic Crisis Reduces Growth in Non-EU Immigrants with Residency Permits
The number of immigrants with permission to live in Spain from non-EU countries, or who do not have relatives who are EU citizens, rose by 5.6% in 2009 to 2.57 million after climbing 9.2% in 2008, according to the Labour and Immigration Ministry. In 2005 the increase was 52.5%.

The main reason for the slower growth is the economic crisis, which has pushed up total unemployment to more than 20% (much higher among immigrants).

The figures followed others from the National Statistics Office which showed that Spain's population increased by only 0.4% in 2009 to 46.9 million, the smallest rise in a decade.

Rodríguez Zapatero Meets the Pope, Prepares Religious Freedom Law
The government's draft law to make Spain a more secular state would further weaken the powerful position of the Roman Catholic Church accorded it during the Franco dictatorship (1939-75). All religious symbols would be banned from public buildings, official acts, such as state funerals, would be civil ones unless the families of those who have died request otherwise, and other faiths, such as Islam, would be given more rights.

The publication of the draft law in *El País* followed a meeting in Rome between Prime Minister José Luis Rodríguez Zapatero and Pope Benedict XVI. The Vatican has long criticised the Spanish government's reforms in the areas of abortion, same-sex marriage and the teaching of the Roman Catholic religion in schools, accusing it of 'radical laicism'. The Pope continued to express his displeasure.

The Roman Catholic Church in Spain is still the only faith that receives funding via the government. This arrangement was reformed in 2007 when taxpayers were able to earmark a higher percentage of their taxes for the church (0.7% rather than 0.52%) but the government no longer provides an annual contribution to make up the difference between the church's income and expenditure. The agreement with the church in 1979 was that it would become self-financing after six years.

The 1978 Constitution is ambiguous about the role of the church: article 16 proclaims that 'no confession shall have a state character' and then states that 'the public authorities will take into account the religious beliefs of Spanish society and maintain the consequent relations of cooperation with the Catholic Church and other confessions'.

Spain's Antismoking Law Fails to Reduce Percentage of Smokers, New Law Planned
More people are smoking today than in 2006 when Spain's antismoking law came into force. According to the latest Eurobarometer survey, 35% of Spaniards smoked last autumn compared with 34% three years earlier, while the EU average dropped from 32% to 29%.

Unlike other EU countries, such as Italy, Ireland and Turkey, bars and restaurants in

Spain of less than 100 square metres (the great majority) can choose to allow or ban smoking. Almost all of them chose to permit smoking.

The government is studying a tougher law, more in line with other EU countries.

The Economy

First Public Sector Strike Over Austerity Measures

Public sector workers, facing an average 5% cut in their salaries as part of a broader austerity package, staged strikes in the first round of a looming battle with the government.

Consuelo Rumí, Secretary of State for the Public Service, said only 12% of civil servants stopped work, while trade union organisers claimed up to 75%.

The socialist government showed no sign of giving into the demands of trade unions, which are strong in the public sector and essentially their political allies. This was the first strike against the government since it took office in 2004. It came two weeks after €15 billion of budget cuts were very narrowly approved by parliament and followed another downward revision of the government's forecasts for GDP growth. The new projections put growth at 2.5% in 2012, down from an earlier figure of 2.9%, and at 2.7% in 2013, down from 3.1% (see Figure 3). Spain has been in recession since the end of 2008.

Figure 4. New Macroeconomic Panorama (%)

	2009	2010	2011	2012	2013
Real GDP growth	-3.6	-0.3	1.3	2.5	2.7
Gross fixed capital formation	-15.3	-7.2	-1.3	4.0	5.4
Exports of goods and services	-11.5	7.3	6.4	7.6	7.7
Imports of goods and services	-17.9	2.3	3.0	6.0	6.6
External sector (1)	2.8	1.1	0.9	0.4	0.3
Jobless rate (% of labour force)	18.0	19.4	18.9	17.5	16.2
Budget deficit (% of GDP)	-11.2	-9.3	-6.0	-4.4	-3.0

(1) Contribution to GDP growth in percentage points.
Source: Economy and Finance Ministry.

Trade unions are also not happy with the government's labour reforms, due to be announced as we went to press, which will cut severance pay for workers with permanent job contracts (up to 45 days per year worked, among the highest levels in Europe) and improve the paltry conditions for those on temporary contracts. The government, trade unions and employers negotiated reforms for four months, but as they failed to reach an agreement satisfactory to all sides the government said it would impose its own plan. Trade unions said they would call a general strike in protest.

When the economy was booming in 2007, 33% of workers, more than double the EU average, were on temporary contracts (4% in 1983, the year before these contracts were established). These workers have since borne the brunt of the huge rise in the number of unemployed (from 1.7 million in 2007 to 4.6 million at the end of March, according to the latest figures based on a quarterly survey). Civil servants, however, virtually have a job for life as it is very difficult to fire them unless there are very exceptional circumstances, and if their post is abolished they are given another one within three months.

The rating agency Fitch put Spain third after Ireland and the UK in a league table of international fiscal pain based on historic growth rates and interest rates (see Figure 4). Spain requires an adjustment of 8.5% of national income to address the deficit in 2009.

Figure 5.

Fiscal Adjustment to Stabilise Debt/GDP - A "Historical" Approach, 2009

(% GDP)	Primary balance	Effective interest rate[a]	GDP deflator[b]	Real interest rate	Real growth rate[c]	Required primary balance[d]	Required adjustment[e]
UK	-9.3	4.9	2.4	2.5	2.0	0.33	9.6
US	-8.4	4.5	2.6	1.9	2.6	-0.46	7.9
Spain	-9.4	4.3	2.9	1.4	2.7	-0.86	8.5
France	-5.2	4.2	2.0	2.2	1.7	0.33	5.5
Italy	-0.7	4.7	2.3	2.4	1.0	0.94	1.6
Greece	-8.6	4.9	2.7	2.2	2.7	-0.33	8.3
Portugal	-6.6	4.6	2.3	2.3	2.1	0.13	6.7
Ireland	-12.2	4.4	0.6	3.8	5.4	-1.03	11.2
Japan	-5.6	1.4	-0.9	2.3	1.0	0.88	6.5

[a] Gross interest payments as a % of outstanding debt (average over 2004-2009)
[b] Average inflation rate over last five years
[c] Average last 20 years
[d] Based on the "debt dynamics" equation: PB* = ((r-g)/(1+g)) * D where PB* = required primary balance, D = debt stock (% GDP), r = effective real interest rate on government debt, g = real GDP growth rate
[e] Difference between actual primary balance in 2009 and required primary balance
Source: EC AMECO, Eurostat, Fitch

The credit rating agency Fitch followed a decision in May by Standard & Poor's and in early June downgraded Spain's long-term foreign and local currency ratings by one notch to AA+ from triple A. Moody's, the other main rating agency, has so far maintained its triple A for Spain.

The downgrade was one more factor pushing up the cost of Spain's new debt. On 7 June Spain's risk premium –the spread on Spain's bonds over Germany's Bund (a key indicator of the confidence of international markets)– surpassed two percentage points, almost four times higher than at the beginning of this year (see Figure 6). The yield on Spain's 10-year bond was 4.59% on 11 June compared with Germany's 2.56% The Madrid stock market picked up in June but was still the worst performer among main markets so far this year (see Figure 7).

Figure 6. 10-year Government Bond Spreads Over Bunds (pp) (1)

	Spread versus Bund
France	+0.47
Greece	+5.77
Ireland	+2.69
Italy	+1.48
Portugal	+2.77
Spain	**+2.03**
UK	+0.90

(1) At 14 June.

Figure 7. Stock Market Indices (% change) (1)

Index	% change
Ibex-35 Spain)	-19.92
Dax (Frankfurt)	+1.52
FTSE 100 (London)	-4.60
Euro Stoxx 50	-11.06
Dow Jones	-2.08
Nikkei (Tokyo)	-7.98

(1) 1 January to 11 June.
Source: Markets.

Government Studies Higher Taxes for the Wealthy

After seeing its €15 billion package of spending cuts scrape through parliament by the skin of its teeth, the government is now turning its attention to raising taxes for the wealthier as part of its effort to reduce the budget deficit to the EU's ceiling of 3% in 2013.

Civil servants, who went on strike over cuts in their salaries, complain they are bearing a disproportionate share of the fiscal pain. Cutting their total wage bill is the easiest and quickest way to reduce public spending, but not the most politically expedient for the socialist government unless accompanied by rises in tax rates.

The only revenue-raising measure taken so far is to increase the standard rate of VAT from 16% to 18%, close to the euro zone average rate, as of July.

Spain's tax revenues as a percentage of GDP have dropped by more than seven points since reaching 37% in 2007, without any change in tax rates. The tax burden is the lowest among the large EU economies. The sharp fall, one of the steepest in the EU, is entirely due to the slowdown in economic growth and recession in 2009. Tax collection has been hard hit by the recession and high unemployment (currently more than 20% of the workforce). Spending cuts alone are unlikely to reduce the budget deficit by the required amount.

'We cannot aspire to have the best welfare state, the best public services –with the best scholarships, aid to families with dependents and a good transport network– and one of the lowest tax burdens in Europe', said José Blanco, the Development Minister. 'We have to explain to people that if we want good public services we need tax revenues'.

With public sector workers bearing the brunt of the cuts in salaries and pensions that will be frozen, the government does not want to add to the misery of middle class jobholders by raising income tax rates. Most of Spain's taxpayers declare they earn less than €30,000 (see Figure 8).

Figure 8. Income Tax Return (1)

Tranches of declared income	Number of returns	% of total
Negative or zero	102,678	0.55
Up to €1,500	762,771	4.08
€1,500-6,000	2,495,957	13.35
€6,000-12,000	3,912,332	20.92
€12,000-21,000	5,263,393	28.14
€21,000-30,000	2,874,616	15.37
€30,000-60,000	2,543,833	13.60
€60,000-150,000	640,238	3.42
€150,000-601,000	96,477	0.52
More than €601,000	10,580	0.06
Total	18,702,875	100.00

(1) 2007 (latest published year).
Source: Tax Agency, Spain.

The plan, yet to be announced, is to tax the better-off at higher rates. The regional government of Catalonia has already lifted the tax rate for those earning more than €120,000, under powers granted to it over the tranche of income tax it controls, while the poorer regions of Andalusia and Extremadura raised the rates for income over €60,000 and €80,000, respectively. All three regions have socialist-controlled governments. Mariano Rajoy, the leader of the conservative Popular Party (PP), urged PP regional governments not to lift their tax rates.

The top rate of income tax has come down from 56% to 43% over the last decade, and the government abolished wealth tax in 2008. It also gave all taxpayers a €400 rebate, effective in 2008 and scrapped last year.

Elena Salgado, the Economy and Finance Minister, ruled out a tax amnesty, along the lines of Italy's last year, in order to flush out black money. In Italy, a 5% fee was charged on money repatriated from tax havens, netting around €5 billion for the tax authorities, in return for immunity from prosecution and no fines.

The collection capacity of corporate income tax is much less than that of personal income tax, and employers have been pushing for reduced taxation in order to foment job creation. The standard corporate rate is 30%, though the effective rate is lower after allowances. In 2009, the total taxation of companies (including social security) in Spain was 57%, well above that of Germany and the UK (see Figure 9). The tax wedge –the difference between what it costs someone to employ a worker and what that worker takes home as a percentage of total labour costs– is close to 40% (see Figure 10).

Figure 9. Total Taxation of Companies in 2009 (% of profits), Selected EU countries

Country	%
Italy	68.4
France	65.8
Hungary	57.5
Belgium	57.3
Spain	**56.9**
Sweden	54.6
Germany	44.9
Poland	42.5
UK	35.9
Ireland	26.5

Source: World Bank, *Doing Business 2010*.

Figure 10. Tax Wedge (1) as a % of Total Labour Costs in 2009

Country	%
Belgium	55.2
Germany	50.9
France	49.2
Italy	46.5
Spain	**38.2**
UK	32.5
US	29.4

(1) Income tax plus social security contributions minus cash transfers for a single person without children with average earnings.
Source: OECD.

One area where there is scope for improvement is tax fraud, which remains high. No government has yet got to grips with this problem which is estimated to account for between 4% and 8% of GDP.

Bank of Spain Seizes Control of CajaSur, Caja Madrid Agrees Merger

The Bank of Spain (the central bank), frustrated by the lack of progress in restructuring the ailing savings-bank sector, seized control of CajaSur, a small bank controlled by the Roman Catholic Church. It was the second such move since March 2009 when Caja Castilla La Mancha (CCM) was taken over. Both banks are victims of the collapse of Spain's housing bubble in 2007.

CajaSur is one of the 45 unlisted *cajas*, as they are called, which are essentially regionally-based and generally controlled by regional and local politicians. Although it only accounts for 0.6% of the total assets of the Spanish banking system, it sent jitters through international financial markets. The *cajas* account for about half the Spanish financial system's total assets and others are very weak.

The credit rating agency Fitch believed CajaSur would have defaulted without state support; its tier one capital ratio was a mere 1.94%, well below the minimum requirement. The bank, which rejected a merger with Unicaja, will be recapitalised with €523 million and put up for sale.

The central bank said in a statement the banking system's solidity would 'not be affected in any way' by CajaSur's collapse. The non-performing loans of the *cajas* represented 5.3% of their total lending in March (see Figure 11).

Figure 11. Non-performing Loans of Savings and Commercial Banks, 1989-2010 (% of total lending)

	Savings Banks	Commercial Banks
1989	3.71	2.49
1991	5.17	4.04
1993	7.56	9.09
1995	5.50	4.91
1997	2.86	2.22
1999	1.30	1.05
2001	0.90	0.90
2003	0.75	0.69
2005	0.69	0.67
2007	0.89	0.76
2009	5.05	5.02
2010 (March)	5.35	5.22

Source: Bank of Spain.

Most of the banking system, however, is strong, particularly the commercial banks Santander and BBVA, the two dominant forces.

Miguel Fernández Ordóñez, Governor of the Bank of Spain, has been calling since last autumn for the weaker *cajas t*o merge with stronger ones, but to little effect. The central bank's intervention acted as a warning shot across the bows of other *cajas*, many of whom are now scrambling to meet the deadline set by the central bank, the Socialist government and the opposition Popular Party to agree mergers by 30 June. The governor wants the number of *cajas* to be reduced by a third; some analysts say the reduction could be larger.

Merger deals must be completed by the end of June if the *cajas* want access to state aid through loans from the Fund for Orderly Bank Restructuring (Frob in Spanish). Frob can deploy up to €99 billion. The limit for each deal set by the European Commission competition authorities is 2% of risk-weighted assets.

The various groupings involve up to 30 *cajas* and they have put in requests for more than €10 billion. The largest one involves Caixa Catalunya, Caixa Tarragona and Caixa Manresa, all of them in Catalonia.

Another route to restructure the *cajas* is through something known as the *Sistema Institucional de Protección* (SIP), a kind of loose merger in which banks would pool some central functions but retain their own regional brands and identities and avoid the tougher cost-cutting measures of a full merger.

This option has been taken up by Caja Madrid, headed by Rodrigo Rato, a former Finance Minister in the PP government (1996-2004) and Managing Director of the International Monetary Fund, which agreed a merger with Bancaja and five smaller savings banks. The merged savings bank would be the largest financial institution in terms of business in Spain.

The growth in the branches of the *cajas* has been much faster than that of the commercial banks. While the total number of bank branches dropped from 15,811 in 2000 to 14,840 at the end of 2009, the number of *caja* branches rose from 19,268 to 24,202 over the same period (see Figure 12).

Figure 12. Branches of Savings and Commercial Banks, 2000-09

	Savings Banks	Commercial Banks
2000	19,268	15,811
2002	20,326	14,072
2004	21,503	14,168
2006	23,418	15,096
2008	24,985	15,580
2009	24,202	14,480

Source: Bank of Spain.

In a separate development, the Bank of Spain tightened the rules on making provisions for non-performing loans. This will lower banks' profits.

Santander Regains Control of its Mexican Unit

Santander, the euro zone's largest bank, regained full control of its Mexican operation after buying back from Bank of America the 25% stake sold to it in 2003 for US$1.6 billion. It paid US$2.5 billion for the stake.

The deal was another move away from its domestic market. Retail banking in Spain generated only 24% of Santander's profit in the first quarter of 2010 (see Figure 13).

Figure 13. Geographical Distribution of 2010 First-Quarter Profit (%)

Retail Spain	24
Brazil	21
UK	16
Portugal	5
Mexico	5
Chile	5
Rest of Latin America	4
Germany	4
US	4
Global businesses and consumer finance in Europe	12

Source: Santander.

Santander's diversification has enabled it to weather well the downturn in its home market and take advantage of more buoyant economies such as Brazil and Mexico which are growing at a relatively faster pace. As a result of its latest purchase, Mexico could account for around 7% of profits, up from 5%.

Santander is also expected to buy 173 branches in Germany from Sweden's SEB and it is the front runner to win the auction for a network of UK branches to be sold by Royal Bank of Scotland, its former ally, which is 83%-owned by the government after it had to be rescued.

Surge in Arms Sales

Spain's exports of arms were a record €1.34 billion in 2009, 44% more than in 2008, compared to a 16% overall drop in exports of goods.

Almost two-thirds of the exports of arms and equipment went to EU and NATO countries (see Figure 14).

Figure 14. Main Exports of Defence Equipment by Product and Amount

Buyer	Product	€million
Norway	One warship	277.3
Malaysia	One submarine	171.1
Germany	EF-2000 pieces	112.8
Portugal	Five transport aeroplanes	104.9
UK	EF-2000 pieces	60.4
Mexico	Two transport aeroplanes	42.0
Botswana	Two transport aeroplanes	37.5
Brazil	Two transport aeroplanes	37.2

Source: Secretariat of State of Trade.

Spain has Largest Number of Clean Beaches in the Northern Hemisphere

Spain obtained 605 'blue flags' for its beaches and leisure ports, the internationally-recognised sign of meeting the highest environmental and other standards. This is largest number among the 33 countries in the northern hemisphere surveyed by the Environmental and Consumer Education Association (AEDAC).

Tourism plays a vital role in the Spanish economy, generating more than 10% of GDP and accounting for around one in every 10 jobs during the summer season.

Six Spanish companies in FT Global 500

Spain has six companies in this year's FT Global 500 compared with France's 23 and Germany's 18 (see Figure 15). The companies are ranked by market capitalisation –the greater the stock market value of a company, the higher its ranking–. Market capitalisation is the share price on 31 March 2010 multiplied by the number of shares issued and then converted into a common currency, the US dollar, to allow comparison.

Figure 15. FT Global 500 Companies in Spain

Global rank and company	Market value (US$ mn)	Sector
46. Banco Santander	109,566.6	Banks
48. Telefónica	108,322.9	Fixed line telecommunications
128. BBVA	51,375.0	Banks
152. Iberdrola	44,597.6	Electricity
164. Inditex	41,165.1	General retailers
260. Repsol YPF	28,959.8	Oil and gas producers

Source: *Financial Times*.