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Foreign Policy

Spain Signals Tougher Gibraltar Stance over Airspace
Tensions with Gibraltar, the UK overseas territory claimed by Spain, intensified after the Spanish Foreign Ministry let it be known it might seek to exclude the Rock from the Single European Sky plan and limit the number of flights to the peninsula at the south-western tip of Spain.

This would reverse the 2006 Cordoba agreement between Spain, the UK and Gibraltar, which marked a turning point as it established a trilateral forum that gave Gibraltar a voice for the first time in negotiations between Madrid and London.

The forum, established during the previous Socialist government, is dead, as far as the conservative Spanish government is concerned (a view not shared by London). Madrid wants to return to bilateral negotiations.

Hostilities increased in 2012 with allegedly illegal incursions by Spanish boats into waters around Gibraltar after the Chief Minister, Fabian Picardo, revoked Spanish fishing rights.

Spain ceded Gibraltar to Britain under the 1713 Treaty of Utrecht, but Madrid still claims sovereignty. The 300th anniversary year of the treaty is likely to see stepped-up pressure on Gibraltar.

Domestic Scene

Rajoy Orders Investigation into Popular Party's Accounts, Catalan UDC Admits Illegal Financing with EU Funds
Prime Minister Mariano Rajoy ordered an investigation into his ruling party's accounts after the magistrate investigating Luis Bárcenas, the Popular Party's former national treasurer, said up to €22 million had been discovered in Swiss accounts held by him.

Bárcenas, a senator between 2004 and 2010 who resigned after he was indicted in the Gürtel corruption case (centred on Valencia, the PP's fiefdom), worked for the PP for more than 20 years.

PP leaders, stunned by the discovery, were quick to distance themselves from Bárcenas and claimed the funds accumulated in Switzerland had nothing to do with the party.

Jorge Trías Sagnier, a former PP member of parliament, claimed some of the party's leaders regularly received in cash up to €10,000 a month in extra pay.

In Catalonia, Unió Democràtica de Catalunya (UDC), the junior partner in the CiU coalition ruling the region, which is seeking a referendum on independence, became the first party to admit it had illegally financed itself with public funds.

UDC said it had misused €388,483 of EU funds earmarked for training programmes for the unemployed during the 1990s.

Under the terms of a deal with the regional attorney general, UDC agreed to pay back the money. Prison sentences for the six accused were reduced to less than two years, which meant jail was avoided. UDC leader Josep Antoni Durán i Lleida also avoided having to testify in a trial that would have lasted months. The defendants were able to negotiate treatment regarded as lenient as the case took 20 years to come to fruition, something labelled 'a scandal' by Eduardo Torres-Dulce, Spain's attorney general.

Durán i Lleida, who was not one of the defendants, ignored calls to resign as UDC leader and his seat in the national parliament in Madrid even though he had declared in public in 2000 that he would do so if the charges of illegal funding were proved.

The two cases coincided with an opinion poll conducted by Metroscopia earlier this month in which 96% of respondents said corruption was widespread. Significantly, this view was almost equally shared by respondents who identified themselves as voters for the two main political parties, the ruling conservative Popular Party (PP) and the Socialists (95% and 97%, respectively). Ninety-five per cent of respondents said party leaders sought to cover up and protect their members when accused of corruption instead of denouncing them and expelling them from their ranks.

The damning Metroscopia poll, which fuelled the growing perception that Spain's political class is a caste, also revealed that 88% of respondents thought politicians were more concerned about their own problems and interests than resolving the country's crisis, while 66% said the political class was worse than that 20 and 30 years ago. Just over half (55%) said today's politicians would have been incapable of achieving the transition to democracy after General Franco died in 1975.

If elections were held today the PP would win 29.8% of the vote (44.6% last November when it was re-elected) and the Socialists 23.3% (28.7% when it was trounced), while the communist-led United Left would double its share of the vote to 15.6% and the centrist Union for Progress and Democracy (UPyD), led by a former Socialist, would more than double its share to 10.1%.

The picture painted is somewhat at odds with Spain's relatively good ranking in the latest corruption ranking drawn up by the Berlin-based Transparency International where it is placed 30th out of 174 countries (see Figure 1).

Figure 1. Ranking of Perceived Levels of Public Sector Corruption, Selected Countries

Country Ranking out of 176 Nations	Score out of 100
1. Denmark	90
2. Finland	90
13. Germany	79
17. UK	74
22. France	71
30. Spain	**65**
72. Italy	42

Source: Transparency International.

According to an investigation by the leading daily *El País*, which is ideologically closer to the Socialists than to the PP, around 200 politicians in just five of the 17 regions surveyed are being investigated for corruption, including 10 PP members of the Valencian parliament.

In Galicia, also long governed by the PP, José Luis Baltar, who headed the provincial council of Ourense between 1987 and January 2012 until he was succeeded by his son, was under investigation for embezzlement of public funds and trafficking of influences. He is accused, among other things, of giving jobs to 104 people in return for votes in favour of his son to replace him as head of the provincial council.

Torres-Dulce said there were sufficient indications to allow the *Audiencia Nacional* court to open an investigation into one of the cases presented in Madrid regarding the family of Jordi Pujol, the former premier of Catalonia (1980-2003), and whether they have bank accounts in Switzerland or in other tax paradises.

The Council of Europe has long criticised the opaque financing of Spain's political parties and the ineffective supervision of the Audit Court.

Politicians and the political class as a whole were ranked last in another Metroscopia survey, which assessed the approval levels of various institutions and social groups (see Figure 2).

Figure 2. Approval Ratings of Institutions and Social Groups (% approval)

Institution/Social Group	% Approval	Institution/Social Group	% Approval
Scientists	94	The King	61
Doctors	90	Newspapers	58
Small and medium-sized firms	89	Judges	53
State school teachers	86	Catholic Church	41
NGOs	81	Trade unions	29
Police	77	Employers	27
Charity works of Church (Cáritas)	77	Town halls	27
Civil Guard	74	Parliament	16
Prince of Asturias (heir to the throne)	66	Banks	11
Lawyers	61	Political parties	10
Priests	49	Politicians	9

Source: Metroscopia.

King Juan Carlos, in his Christmas message, urged politicians to set aside their differences and work together for the good of Spain.

The PP and the Socialists have managed to do so in one area. They agreed to reduce the bloated size of local government in order to help cut the budget deficit.

Spain has 8,114 municipalities, each with a mayor and other staff –more than Germany, whose population is 35 million higher than Spain's–, 4,862 of which have fewer than 1,000 inhabitants. The salaries of the mayors of Madrid and Barcelona, for example, are higher than the Prime Minister's. Provincial councils, a layer of administration between regional governments and town halls, will take over the services provided by small municipalities.

In a Metroscopia poll, which coincided with the King's 75th birthday on 5 January, 53% of respondents expressed support for a parliamentary monarchy as the best form of government for Spain, compared with 37% for a republic. The respective figures in 1998 were 72% and 11%.

Several embarrassing incidents in 2012 tarnished the royal family's image and prestige. The World Wildlife Fund removed the King as its honorary president for going on an elephant hunting trip in Botswana, and his son-on-law, Iñaki Urdangarin, was indicted for alleged tax fraud and embezzlement of public funds.

OECD 'Seriously Concerned' at Absence of Foreign Bribery Convictions in Spain
The OECD urged Spain to enforce its foreign bribery laws after revealing there had not been a single prosecution out of only seven investigations in the 13 years since joining the OECD Anti-Bribery Convention.

The report by the OECD Working Group on Bribery recommends that Spain:[1]

- Pursue its stated commitment to further amend its Penal Code to bring it into line with the Convention.
- Harmonise the scope of its foreign bribery offence, the level of sanctions and the period of limitations for the bribery of all foreign public officials, whether European or not.
- Clarify that the introduction of due diligence controls by a company cannot be used to escape corporate liability.
- Improve co-ordination and case referral between the Special Public Prosecutor's Office against Corruption (ACPO), the State Prosecution Service, the Courts and other law-enforcement authorities.
- Ensure that cases are not prematurely closed.
- Ensure explicit prohibition of the tax deductibility of bribes in the autonomous tax regions of the Basque Country and Navarre.
- Introduce legislative protection for public and private sector whistle-blowers.

Catalan Parliament in First Move Towards Independence Referendum
The Catalan parliament approved a declaration giving the region the right to decide to hold a referendum by the end of 2014 that could lead to independence.

The bill, which defined Catalonia as a 'political and legal sovereign entity' with the right to secede, if a majority of its 7.5 million citizens decide to do so through democratic means, was approved by 85 of the 135 members of the parliament.

The ruling Popular Party at the national level has already declared the referendum illegal. Most of the Socialist leadership is also against the referendum, though there are splits in the party's Catalan branch.

The Spanish Constitution gives the central government 'exclusive competence' on the authorisation of referendums. The only legal way to trigger this process and end the

[1] http://www.oecd.org/daf/briberyininternationalbusiness/SpainPhase3ReportEn.pdf.

impasse is through a constitutional amendment. This would require a large majority in the Spanish parliament, new elections and approval in a referendum held throughout the country, all of which are most unlikely to happen.

High-speed Barcelona-Figueres Rail Link Now Operating

The day when Madrid and Barcelona will be linked by high-speed rail to Paris was brought nearer when the €3.7 billion line between Barcelona and Figueres, very near the French border, was opened.

The new stretch brought the total amount of high-speed rail line in Spain to around 3,000km, the second-largest network after China.

Passengers travelling to France from Barcelona still have to change trains at Figueres. When this no longer is the case, Spain's two largest cities will be linked non-stop to the French network.

Spain's Population Forecast to Plummet and Age Considerably

The low birth rate, greatly reduced immigration and more emigration will lower Spain's population by more than 10% to 41 million between now and 2052 when 34% of the population will be over the age of 64 (double that now), according to the latest forecast by the National Statistics Office (INE).

The forecast has to be treated with some care as the extrapolations are based on current trends and do not assume any change in the economic environment which is one of recession, fewer immigrants, more emigrants and very high unemployment.

The average life expectancy, under the INE scenario, of women would rise from 83 to 91 and for men from 76 to 87. The birth rate, at 1.36 in 2011 and one of the lowest in the EU, would increase to 1.56, still below the replacement rate of 2.1 children per woman.

Previous INE forecasts, all technically impeccable, have not been fulfilled.

Domestic Violence Deaths in 2012 at Lowest Number in More than a Decade

The number of women killed by their current or former partners was 46 in 2012, down from 61 in 2011 and an average of 63 in the preceding 12 years, according to the Instituto de la Mujer.

The previous Socialist government of José Luis Rodríguez Zapatero introduced a domestic violence law in 2005 to protect victims, support their recovery from acts of violence and impose heavy penalties.

The Economy

Borrowing Costs Fall, Likelihood of a Sovereign Bail-out Recedes

The government's benchmark 10-year bond yield eased, reducing the likelihood that Spain will need a sovereign bail-out by the EU. At one point earlier this month the yield fell below 5% for the first time since last March and then inched up to 5.18% on 25 January (see Figure 3).

Figure 3. 10-Year Government Bond Yields (%) and Spreads over Germany's Bunds

	Yield,18 December	Yield, 25 January
Germany	1.42	1.64
Greece	12.70	10.49
Ireland	4.65	4.11
Italy	4.45	4.14
Portugal	7.14	6.18
Spain	**5.33**	**5.18**

Source: ThomsonReuters.

The Treasury ended 2012 with a liquidity cushion of €35 billion, €4.5 billion more than in 2011, after capturing more funds than it had budgeted for. This put it in a good starting position for 2013. On 22 January the Treasury raised €7 billion in the first sale of a 10-year bond since 2011 in an auction which attracted orders totalling €23 billion, the highest amount in Spain's history. 'This is a clear indication of the Spanish economy's credibility', trumpeted Luis de Guindos, the Economy Minister.

The risk premium –the difference between the benchmark 10-year German yield and the Spanish one– stood at 354 bp on 25 January, down from a peak of 638 bp last July.

The respite appeared to suggest that the government's reforms and expenditure cuts are restoring the confidence of international investors, and not just the action by the European Central Bank. But the jury is still out on whether Spain will avoid being rescued. Around half of the government's announced reforms have yet to be implemented.

The lower borrowing costs are one of the few positive and tangible results of the Popular Party's first year in government, when the number of jobless rose by close to 700,000. As Figure 4 shows, 2012 was a mixed year. On the positive side, 57.7 million tourists came to Spain, 2.7% more than in 2011 and the third-highest number after 2006 (58.4 million) and 2007 (59.2 million), and the current account deficit dropped to around 2% of GDP from a peak of 10% in 2007.

Figure 4. Key Indicators of 2012 and 2011

	2012	2011
Real GDP growth (%)	-1.3	+0.4
Stated unemployment (mn)	5.96	5.27
Jobless rate	26.02	22.85
Risk premium (bp, year-end) (1)	393	395
Inflation	2.9	2.4
Public debt (% of GDP, 3Q)	77.4	69.3
Ibex-35 stock market index (year-end)	8,291	8,378
Days lost because of strikes (January-September)	803,178	336,458

(1) The difference between the yield on the 10-year German bond and the 10-year Spanish bond.
Source: INE, Bank of Spain, Madrid Stock Market, Spain's Employment Ministry and Eurostat.

This year, the fifth in recession (growth in 2011 was anaemic), will be even tougher. The IMF forecasts the economy will shrink by more than 2012's 1.3%. The unemployment rate, currently standing at above 26% for the first time in history, is not expected to begin to fall until towards the end of the year.

The purchasing power of Spaniards, almost 6 million of whom are officially unemployed (almost 700,000 more than in 2011, see Figure 5), has taken another knock with wages and pensions frozen or rising below the inflation rate and price increases in electricity, petrol and train tickets. The north-south unemployment divide intensified in 2012: the jobless rate was 35.8% in Andalusia and 34% in Extremadura compared with 15.9% in the Basque Country.

The rise last September in the standard VAT rate from 18% to 21% remains in place, as do higher personal income tax rates, needed to bring down a budget deficit that was still very high in 2012 at between 7% and 8% of GDP. Almost all tax benefits related to house purchases have also been ended as of this month.

Figure 5. The Relentless Rise of Unemployment, 1975-2012 (% of working population)

1976	1985	1990	1993	1997	2000	2005	2007	2009	2012
4.7	21.4	16.0	23.8	20.1	13.4	8.7	8.6	18.8	26.0

Note: the methodology was changed as of 2001.
Source: INE.

Spaniards are increasingly drawing on their savings, assuming they have any. Household savings stood at 8.8% of disposable income in the third quarter of 2012, the lowest level in 12 years. In 2009 it was close to 18%.

Government to Allow Companies to Operate with Single Licence

The government approved a draft bill enabling companies to operate throughout Spain with a single licence in a bid to reverse the fragmentation of the country's internal market and make it more efficient.

This would mean that companies would not need permits to operate in each of the country's 17 regions, as can happen.

In one of the more absurd examples cited as a reason for the new measure, a company making slot machines had to manufacture 17 different models in order to meet the requirements of each regional government.

Gross Inward Foreign Direct Investment Drops in 2012

Spain received US$17.5 billion of gross FDI inflows in 2012, down from US$29.5 billion in 2011 and US$40.8 billion in 2009, according to preliminary figures from UNCTAD (see Figure 6).

Figure 6. FDI Inflows 2010-2012 (US$ billion)

	2012	2011	2010
France	2.1	40.9	30.6
Germany	58.9	40.4	46.9
Italy	39.6	34.3	9.2
Poland	4.1	18.9	13.9
Spain	**17.5**	**29.5**	**40.8**
UK	62.5	51.1	50.6

Source: UNCTAD Global Investment Trend Monitor.

Bank of Spain Accused of Ignoring Inspectors' Warnings of Problems, Tightens Supervision

The Bank of Spain 'looked the other way' when its inspectors found indications of wrongdoings in the banks it was supervising, according to the leak of an internal report ordered by Luis María Linde when he took over as Governor of the central bank last year.

Miguel Ángel Fernández Ordóñez, the former Governor, who resigned shortly before his term of office was up after the Bank became the centre of the political storm surrounding Spain's banking crisis, denied the charge and challenged the Bank's association of inspectors to produce a single specific case.

Details of the leaked report, published in *El País*, led Eduardo Torres-Dulce, the Attorney General, to seek information from the Bank of Spain to assess the claims.

In a separate development, Linde tightened oversight of the banking system and announced various measures including more on-site inspectors in banks. These inspectors were originally embedded in Santander and BBVA, the two largest banks, and will now cover a total of 16 financial institutions.

The Bank of Spain's international reputation, which was high more than a decade ago after it introduced innovative counter-cyclical provisions for bad loans, has taken a big knock for failing in its role as supervisor, especially in the politically-influenced regionally-based savings banks. It also failed to take action to cool down the breakneck pace of growth in lending, particularly to the property sector, whose collapse in 2008 sparked the banking crisis.

The EU agreed last year a bail-out fund for Spain's banks of up to €100 billion. Bankia, the fourth-largest lender, was nationalised and a 'bad bank' set up to hold soured real-estate debt. The Fund for Orderly Bank Restructuring (FROB) assigned a negative economic value of €4.15 billion to Bankia at the end of 2012. Its shares were trading at €0.59 on 25 January, down from its flotation price of €3.75 in July 2011. Banco de Valencia, another nationalised bank, was estimated to have a negative economic value of €6.34 billion.

Not only the troubled banks are having to shed employees and close branches. The total number of bank employees in 2015, at which point Bankia will have got rid of some 6,000 workers, is put at around 223,000, the lowest number since 1981, compared with a peak of 270,855 in 2008. In the first nine months of 2012, 6,700 branches were closed.

The non-performing loan ratio of the whole banking system was 11.38% at the end of November, almost double that at the end of 2011.

Government Seeks to Raise Early Retirement Age

The government wants an agreement with opposition parties and trade unions by April to raise the age of early retirements. The move follows the gradual introduction as of this month of the increase in the new normal retirement age from 65 to 67, approved by the previous Socialist government, which will be fully in force in 2027.

At the moment, workers can retire early between the ages of 61 (known as *jubilaciones anticipadas*) and 63 (*jubliaciones anticipadas voluntarias*), depending on their circumstances. These retirement ages would be raised to 63 and 65, respectively.

Spain's recession has sharply reduced the number of social security contributors, while Spaniards are living longer. At the end of 2012, there were fewer than 17 million contributors paying the pensions of 9 million people. In other words, there were fewer than two contributors for every pensioner, down from a peak of 2.7 in 2007 at the end of the country's decade-long boom before the economy crashed. A pension system is considered sustainable in the long term if there are around 2.5 contributors for every pensioner.

When Spain introduced in 1919 the official retirement age of 65, average life expectancy at birth was around 40 years. Today, it is 82 and those reaching the age of 65 tend to live until they are 90.

More than one-quarter of total state spending currently goes on pensions and between 2009 and 2010 only half of those who retired were aged 65. Banks have been particularly active in shedding employees and passing on part of the costs to the taxpayer. They have been firing employees aged over 50 and counting on the state to pay them two years unemployment benefit before they take early retirement and a state pension.

As well as longevity, Spain received close to 5 million immigrants between 1998 and 2007. At the time this influx was viewed as very positive for the sustainability of pensions as the majority of immigrants were young and found jobs. Today, the unemployment rate among immigrants is more than 30% and those still working and contributing to the social security system will one day retire in Spain.

According to experts such as Guillermo de la Dehesa, the Socialist government's reform is insufficient and will not reduce pension spending in GDP-terms enough.

Spanish Export Surge Forecast to Continue

Spain's exports of goods and services will register the third-highest growth among OECD countries this year, according to the latest forecast by the Paris-based think tank.

Exports have not stopped climbing since the onset of Spain's recession and along with tourism remain the brightest spot in the economy. They are projected to rise 6.4% this year after 4% in 2012 (see Figure 7).

Figure 7. Growth in Exports of Goods and Services, 2012 and 2013 (% annual change)

	2013	2012
South Korea	8.8	4.3
Estonia	7.4	5.1
Spain	**6.4**	**4.0**
Turkey	5.9	15.3
Poland	4.9	2.2
US	4.1	3.6
Germany	3.2	4.4

Source: OECD Economic Outlook, 17/XII/2012.

Thanks to higher exports, which have prevented the economy from shrinking even further, and lower imports, the trade and current account deficits have declined significantly. The merchandise trade deficit was €24.6 billion in the first 11 months of 2012, down from €37.7 billion in the same period of 2011.

As of 2008, Turkey has been Spain's second-largest export market after the US, having overtaken Mexico.[2]

Stock Market Revives after Falling in 2012

The Spanish stock market, the only one of some importance in the developed world to fall in 2012 (for the third-year running), started 2013 on a firmer footing and rose 6.8% until 25 January (see Figure 8).

Figure 8. Main Stock Market Indices (% change), January 2013 and 2012

Index	1 January-25 January 2013	1 January-31 December 2012
Ibex-35 Spain)	**+6.8**	**-4.6**
Dax (Frankfurt)	++3.2	+29.0
FTSE 100 (London)	+6.5	+5.8
Euro Stoxx 50	+4.1	+13.8
Dow Jones	+6.0	+7.2
Nikkei (Tokyo)	+5.1	+22.9

Source: Markets.

The Ibex-35 benchmark index fell 4.6% for the whole of 2012 but rose 36% between 24 July and the end of the year. This followed a first-half performance that was one of the worst in the world. The decline for the whole of 2012, however, was much less than in 2011 and 2010, although during the year the Ibex-35 dropped to levels not seen in nine years.

Government to Name and Shame Big Tax Dodgers

In a bid to boost flagging tax receipts, Miguel Ferre, the Secretary of State for Finance, said the government would name and shame the biggest tax dodgers at some point during the first quarter. He said state lawyers were studying how it could be done legally. Such a move would prove popular.

The government's tax amnesty, which came into effect last June and ended on 30 November, netted €1.2 billion, well below the €2.5 billion target, out of the €40 billion which Cristóbal Montoro, the Finance Minister, said had been hidden from the authorities.

Spain's receipts from taxes and social security contributions dropped from a peak of 38% of GDP at the height of the economic boom to 32.4% in 2011. This was second-biggest fall among EU countries after Bulgaria and substantially more than that of the three rescued EU countries (Greece, Ireland and Portugal), according to the latest comparative figures from Eurostat, the EU's statistical office (see Figure 9).

[2] See the author's analysis of Turkey and Spain's trade and direct investment relation at http://www.realinstitutoelcano.org/wps/portal/rielcano_eng/Content?WCM_GLOBAL_CONTEXT=/elcano/Elcano_in/Zonas_in/ARI2-2013_Chislett_Turkey_Spain_trade_investment.

Figure 9. Total Receipts from Taxes and Social Security Contributions (% of GDP)

	2011	2007
Denmark	48.6	49.8
France	45.9	45.2
Italy	42.8	43.0
Euro zone (17 countries)	40.8	41.2
Germany	40.0	40.0
UK	37.8	37.6
Portugal	36.1	35.9
Greece	34.9	34.3(p)
Spain	**32.4**	**38.0**
Ireland	30.4	32.9

Source: Eurostat.

Such a fall, to some extent due to the collapse of the property market and despite some tax rises in 2010 and 2011 under the previous Socialist government, underscores the cash-strapped Popular Party government's difficulty in lowering the budget deficit, even though it is slashing spending.

The standard rate of VAT was increased from 18% to 21% last September and personal income tax rates were also raised for 2012 and 2013.

Corporate Scene

Companies Win Contracts in Algeria
Prime Minister Mariano Rajoy's first official visit to Algeria led to the signing of several lucrative contracts for Spanish companies.

The largest was one to expand the airport at Algiers worth around €100 million and secured by a consortium majority participated by Indra.

Iberdrola Divests in Bid to Cut its Debt, Bolivia Nationalises Two of its Companies
Iberdrola, the world's largest operator of wind farms, sold at the end of 2012 32 French wind farms to a consortium including General Electric for €400 million in order to further reduce its debt.

Earlier in the year it sold €850 million of non-core assets including wind farms in Germany and its 20% stake in the Medgaz deepwater gas pipeline between Algeria and Spain for €146 million, as well as its Spanish gas distribution assets, its 13% stake in Gas Natural Mexico and most of its shares in the Spanish telecoms operator Euskaltel.

Iberdrola plans to reduce its debt from €39.1 billion to €26 billion over the next three years.

In a separate move, the Bolivian government nationalised two companies owned by Iberdrola. Last May the government took over a power transmission unit of Spain's power grid operator Red Eléctrica.

'We considered this measure necessary to ensure equitable energy tariffs… and to see to it that the quality of electricity service is uniform in rural as well as urban areas', said President Evo Morales.

Santander Sells Part of its Bankassurance Business to Aegon

Santander, the euro zone's largest bank by market value, established an alliance with the Dutch insurer Aegon under which the bank is to create two companies, one for life and one for general insurance, in which Aegon will take a 51% stake for €220 million.

Santander will hold 49% and distribute products through its branch network. Savings, health and auto insurance products will continue to be managed by Santander.

BBVA to Sell its Stake in Colombian Pension Fund

BBVA, Spain's second-largest bank, agreed to sell its stake in a Colombian pension fund management company for US$530 million. This followed the agreement last November to sell its complete stake in a Mexican pension company for US$1.6 billion.

Five Spanish Companies in World's Top 250 Retailers

The supermarket Mercadona was ranked 44th out of 250 companies on the basis of sales, according to a study on the global powers of retailing by Deloitte (see Figure 10). In 2002, Mercadona was in 178th position.

Figure 10. Ranking of Global Powers of Retailing (US$ million)

	Sales
1. Wal-Mart (US)	446,950
44. Mercadona	22,910
47. Inditex	19,157
54. El Corte Inglés	17,143
75. Dia	13,621
119. Grupo Eroski	8,929

Source: Deloitte.