

**Inside Spain nr 99**  
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**Summary**

Spain denies joint actions with Argentina over Gibraltar and the Falklands.  
Court convicts 53 in corruption trial.  
European Court of Human Rights overturns ruling on terrorists.  
Austere 'budget of recovery' for 2014.  
Fagor files for protection from creditors.

**Foreign policy**

*Spain denies joint actions with Argentina over Gibraltar and the Falklands*

The government denied reports of joint actions with Buenos Aires over Gibraltar, the UK territory on the southern tip of Spain that Madrid has long claimed, and the Falklands, although it supports Argentina's sovereignty claim.

José Manuel García-Margallo, Spain's Foreign Minister, refuted a statement from the Argentine Foreign Ministry that the two countries had 'agreed on joint measures to press Great Britain to comply with the mandate from the United Nations to dialogue'.

Gibraltar and the Falklands have been on a UN list of non-self-governing territories that are subject to a process of decolonisation since 1963.

García-Margallo and Héctor Timerman, the Argentine Foreign Minister, met on the sidelines of the UN General Assembly at the end of last month.

García-Margallo said he had discussed with Timerman the two countries' claims, but this did not mean 'there was agreement on the means that each government adopts to reaffirm their sovereignty claims', nor would each side automatically support the decisions of the other.

Spain and the UK are currently locked in a spat over the placing by Gibraltar of an artificial reef in disputed waters (in the form of 72 concrete blocks) to encourage sea life to flourish and, in what looks like retaliation, tightened border controls on the Spanish side. Madrid says the border controls are needed to end tobacco smuggling taking place in Gibraltar.

A team of EU inspectors visited Gibraltar at the end of last month to investigate the border row that has led to traffic queues of several hours.

Alistair Burt, the UK Foreign Office Minister, rebutted on ITV in August comments by Spanish officials, who claimed the row could be escalated to the United Nations. 'We are confident, firstly of the support of the people of Gibraltar, who want to remain British. We are confident of our legal position, and you always

judge friends by the company they keep'. Britain and Argentina went to war in 1982 over the Falklands.

The comments about being judged by their bedfellows (Spain and the UK are EU and NATO members) apparently stung the Spanish authorities who feared they might have overstepped the mark. This, and the failure to make any headway on the issue of Repsol, the Spanish energy giant, whose YPF Argentine unit was nationalised last year, were believed to have led García-Margallo to disassociate Spain from a possible alliance with Argentina over Gibraltar.

Prime Minister Mariano Rajoy called Gibraltar an 'anachronism' in a speech at the UN General Assembly on 26 September and reiterated the demand for talks on sovereignty.

Two weeks later, Fabian Picardo, Gibraltar's Chief Minister, raised the temperature by accusing the Spanish government and the media of waging a 'campaign of incitement to hatred through lies' against Gibraltar. He said the Spanish Civil Guard opened fire last June on a Gibraltarian using a jet ski in waters belonging to Gibraltar. Madrid said no shots were fired.

García-Margallo welcomed Brussels' decision to investigate Gibraltar's corporate tax system and to include the territory along with Ireland, Luxembourg and the Netherlands in its probe into multinational tax deals. The Competition directorate will look into whether Gibraltar's tax exemptions for royalties and interest breach state aid rules.

'It's magnificent news that is going to reward the efforts that Spanish diplomacy has been making in this area for a long time', he said. He added that he expects the investigation 'to end with violation proceedings, that is for Gibraltar to be warned to do away with a regime that is clearly unfair and clearly prejudicial to Spanish firms'.

#### *Spain brings its troops home from Afghanistan*

Spain ended its 11-year involvement in the war in Afghanistan against the Taliban in which 98 soldiers were killed and two interpreters (one of them Afghan) and €3.5 billion was spent.<sup>1</sup>

Pedro Morenés, the Defence Minister, presided over the flag-lowering ceremony, which was attended by the last 329 soldiers of a force that at its height numbered 1,500.

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<sup>1</sup> Sixty-two died in an aircraft accident in 2003 and 17 when a helicopter crashed into a mountain.

## Domestic scene

### *Court convicts 53 in corruption trial*

A total of 53 people, including two former mayors, were convicted in Spain's biggest-ever corruption trial that centred on real-estate fraud and bribery in the jet-set coastal city of Marbella.

Juan Antonio Roca, the city's former planning chief, was jailed for 11 years and fined €240 million for pocketing huge sums. The former mayors Marisol Yagüe and Julian Muñoz received sentences of six and two years, respectively.

The sentences were significantly less than those demanded by the prosecution, which sought 30 years for Roca, 16 for Yagüe and 10 for Muñoz. The trial lasted two years. The court absolved 43 of the 95 people on trial.

The municipality's finances were left in such a parlous state, after the city was run as if it was a private fiefdom, that the government dissolved the Marbella city council in 2006 in order to put an end to the rampant corruption.

Town hall officials and business people received kickbacks for planning permissions and construction of hotels, residential complexes and urban infrastructure. Much of the money was then laundered with the help of lawyers.

Muñoz succeeded Jesús Gil y Gil as mayor after the latter died in 2004. Gil y Gil, a former owner of the Atlético de Madrid football club, was mayor between 1991 and 2002. A highly controversial figure, he had many corruption cases pending against him.

In a separate case, Carlos Fabra, the former president of the Castellón district council for 16 years and of the Popular Party in that area, appeared in court on charges of bribery, tax fraud and trafficking of influences, 10 years after he was first investigated.

Fabra is well known as there is a 24-metre-high statue dedicated to him at the 'ghost' Castellón airport, crowned by an aluminium model aircraft. He inaugurated the €150 million airport in 2011, even though it was not in use, and there have been no flights since then.

### *European Court of Human Rights overturns ruling on terrorists*

The European Court of Human Rights dealt a blow to the government's anti-terrorism policy by condemning a law that enables Spain to extend the imprisonment of convicted terrorists and members of the Basque separatist group ETA.

The case was brought by Inés del Río Prada, imprisoned for 3,000 years in 1989 for taking part in the deadly bombing of a bus carrying police officers. Spanish law effectively limits prison sentences to 30 years, which would have made her eligible for parole in 2008 on the grounds of good behaviour. The previous Socialist

government kept her in prison based on a 2006 ruling by the Spanish Supreme Court allowing restrictions on parole for some inmates.

The court said Spain had breached the European Convention on Human Rights by applying the 2006 law, known as the Parot doctrine, retroactively and ordered her immediate release.

The ruling sets a precedent and could benefit an estimated 40 of the 500 ETA members in prison.

The government and associations representing the victims of terrorism are unhappy with the ruling, while ETA's supporters were jubilant.

ETA announced an 'indefinite' ceasefire in 2011, putting an end to almost 40 years of violence in which more than 800 people have been killed, but has yet to lay down its arms.

#### *Catalan chief puts a price on the region's grievances*

Artur Mas, the Catalan Premier locked in a battle with Madrid to hold a referendum on independence, quantified the costs of what he termed the central government's failure to keep its promises at €9.3 billion.

The Catalan government based this figure on money it said it should have received for public investment and decisions taken by Madrid that undermined its policies.

The idea behind the 50-page document appears to be to convince Catalans that the push for the referendum is not only the result of the current economic crisis but goes back a longer way, and that if Prime Minister Mariano Rajoy does not want to sit down and negotiate the sovereignty plan he should at least rectify policies toward the region.

Meanwhile, the region's ruling party *Convergència i Unió* (CiU), made up of two parties, is fraught with tensions. The *Unió* part, led by the Christian-Democrat Josep Antoni Duran i Lleida (who heads *Unió Democràtica de Catalunya*), is critical of Mas's aggressive strategy for independence and seeks a 'third way'.

CiU governs the region with the Catalan Republican Left (ERC), traditionally much more in favour of independence and gaining support at the expense of the other parties.

#### *Spanish young adults near the bottom of literacy and numeracy ranking*

Young Spanish adults suffer from serious skill deficiencies in literacy, numeracy and problem-solving, making it difficult for the country to move towards a much-needed economic model based more on knowledge and less on bricks and mortar.

Those aged between 16 and 24 were ranked 18<sup>th</sup> in the league table of literacy and numeracy, according to the first adult skills study of 24 developed nations by

the Paris-based OECD (see Figure 1).<sup>2</sup> The study tests skills instead of estimating them based on educational background.

**Figure 1. Ranking of literacy and numeracy proficiency for people aged 16-24**

Literacy mean score	Numeracy mean score
1. Finland, 297	1. Finland, 285
2. Japan, 296	2. Netherlands, 283
3. South Korea, 293	3. South Korea, 281
4. Netherlands, 292	5. Sweden, 278
<b>Average, 278</b>	10. Germany, 274
10. Germany, 278	<b>Average, 270</b>
14. France, 275	16. France, 263
18. <b>Spain, 263</b>	18. <b>Spain, 254</b>
19. England/Northern Ireland, 262	19. England/Northern Ireland, 253
20. US, 261	20. Italy, 251
21. Italy, 260	22. US, 240

Source: OECD Skills Outlook 2013.

A crumb of comfort was offered by England, which ranked among the top three countries for literacy skills among older adults (55-65 year-olds), but is in the bottom three for such skills among 16-24 year-olds. American 55-65 year-olds performed around the average, but young Americans ranked the lowest among their peers. Finland was top in both literacy and numeracy.

In reading, more than one in five of all adults in Spain (27.5%) performed at or below the most basic level, compared with one in 20 Japanese and one in 20 Finns. In numeracy, almost one in three adults in Spain (30.6%) performed at or below the most basic level of numeracy, compared with around one in 10 in Japan, Finland and the Czech Republic.

The survey also revealed the extent of the 'digital divide', with millions failing to master even simple computer skills. This ranged from nearly one in four adults in Spain to one in 14 in the Netherlands, Norway and Sweden.

Overall, Spain was ranked 20<sup>th</sup> and 21<sup>st</sup> in the literacy and numeracy rankings for those aged between 16 and 65 (see Figure 2).

**Figure 2. Ranking of literacy and numeracy proficiency for people aged 16-65**

Literacy mean score	Numeracy mean score
1. Japan, 294	1. Japan, 286
2. Finland, 288	2. Finland, 282
3. Netherlands, 280	3. Sweden, 279
4. Sweden, 279	5. Netherlands, 276
<b>Average, 270</b>	11. Germany, 269
13. England/Northern Ireland, 270	<b>Average, 266</b>
14. Germany, 267	16. England/Northern Ireland, 259
18. US, 262	18. France, 253
19. France, 261	19=. US, 246
<b>20. Spain, 251</b>	19=. Italy, 246
21. Italy, 249	<b>21. Spain, 245</b>

Source: OECD Skills Outlook 2013.

<sup>2</sup> See [http://skills.oecd.org/documents/OECD\\_Skills\\_Outlook\\_2013.pdf](http://skills.oecd.org/documents/OECD_Skills_Outlook_2013.pdf).

The mean score in literacy and numeracy for 16-24 year-olds in Spain was higher than for 16-65 year-olds, and in literacy older Spanish adults scored lowest, on average, among the countries surveyed. It was not obligatory to attend school (between the ages of six and 14) in Spain until 1970, much later than most other developed countries.

*Vatican beatifies 522 'martyrs of the faith' killed during the Civil War*

The Vatican went ahead with the mass beatification in Tarragona of 522 Roman Catholic priests, nuns and laymen, killed in anti-clerical bloodletting during the country's 1936-39 Civil War, despite an appeal to Pope Francis by Spanish activists representing more than 100 groups and associations calling for it to be halted on the grounds that it was 'hypocritical and cynical'.

The Church's political role in the conflict and support for the ensuing dictatorship (1939-75) of General Franco, who won the war, still stirs passions. Close to 7,000 clergy were killed in areas held by those who supported the Republican government against which Franco rose.

The Church was clearly identified with the status quo and blessed Franco's uprising by calling it a 'crusade'. After the war, the Church was rewarded for its support with financial privileges and considerable influence over education and matters of morality. Roman Catholicism was the state religion. Today, the Church still enjoys some privileges, although Spain is a non-confessional state.

'After the death of the dictator nothing changed', the letter said. 'In the current democratic period, Spain's Catholic hierarchy has taken the same line. On the one side, it extols some victims through mass beatifications and canonisations and, on the other side, it forgets the Francoist repression'.

The outdoor ceremony was officiated by Cardinal Angelo Amato and attended by Alberto Ruíz-Gallardón, the Justice Minister, Jorge Fernández, the Interior Minister, and Artur Mas, the Premier of Catalonia.

The beatification followed a call by the United Nations for the government to overturn the 1977 amnesty law that pardons crimes committed during the Franco regime. 'It is regrettable the situation of impunity for cases of enforced disappearances that occurred during the civil war and the dictatorship. There is no ongoing effective criminal investigation nor any person convicted', the UN experts said.

The Church has beatified 1,523 people in Spain. Beatification is the last step before sainthood.

The UN recommendation came as hundreds of Spaniards seeking justice for crimes committed during the Franco era took their case to an Argentine court because of the 1977 amnesty law.

The amnesty law was a keystone of Spain's transition to democracy; there was no truth commission after Franco died. Without the amnesty, the consensus might not have been achieved for the 1978 democratic constitution. Parties across the political spectrum, apart from diehard Francoists, agreed to bury their differences and look ahead rather than back.

The previous Socialist government passed a 'historical memory' law in 2007, which, among other things, provided some funds to unearth mass graves. The PP stopped the funds after it took office at the end of 2011. According to the British historian Paul Preston at least 150,000 people were murdered extrajudicially or executed after flimsy legal processes in the Nationalist-held areas and 50,000 were killed in the Republican-controlled territories.

## The economy

### *Austere 'budget of recovery' for 2014*

Public-sector wages will be frozen in 2014 for the fourth year running and pensions will increase by only 0.25%, below the expected inflation rate, in another austere budget.

Finance Minister Cristóbal Montoro called next year's package of measures 'the budget of recovery'. There are signs that Spain is finally emerging from recession.<sup>3</sup>

Quarter-on-quarter economic growth in the third quarter is forecast at around 0.1% after shrinkage of 'only' 0.1% in the second quarter. The government revised its GDP growth forecast from 0.5% to 0.7% for 2014.

The IMF also slightly upgraded its growth forecasts for Spain. The economy is now projected to shrink 1.3% this year, in line with the government's estimate, as against 1.6% forecast in July, and to expand by 0.2% in 2014 (zero growth forecast in July), significantly lower than the government's forecast revised up to 0.7%. The IMF says the unemployment rate will remain at more 25% until 2018 (see Figure 3).

**Figure 3. IMF forecasts for Spain, 2013-18**

	2013	2014	2015	2016	2017	2018
GDP var. (%)	-1.3	0.2	0.5	0.7	0.9	1.2
Inflation	1.8	1.5	1.2	1.2	1.2	1.2
Unemployment (%)	26.9	26.7	26.5	26.2	25.6	24.9
Budget def. (% of GDP)	6.7	5.8	5.0	4.0	3.0	2.0
Pub. debt (% of GDP)	93.7	99.1	102.5	104.6	105.5	105.1

Source: IMF.

<sup>3</sup> See the author's detailed Working Paper on this subject at [http://www.realinstitutoelcano.org/wps/portal/rielcano\\_eng/Content?WCM\\_GLOBAL\\_CONTEXT=/elcano/elcano\\_in/zonas\\_in/international-economy/wp12-2013-chislett-emerging-spain](http://www.realinstitutoelcano.org/wps/portal/rielcano_eng/Content?WCM_GLOBAL_CONTEXT=/elcano/elcano_in/zonas_in/international-economy/wp12-2013-chislett-emerging-spain).

The government has very little leeway to spend: the budgeted €36.6 billion cost of servicing the ballooning public debt (fast approaching 100% of GDP) is €2 billion more than what will be spent on the 13 ministries. Infrastructure spending will be slashed by 7.2%. The cost of welfare and entitlements, including unemployment benefits, is put at €31 billion. Montoro ruled out tax hikes.

Net job creation remains the greatest challenge. Half of Spain's unemployed (2.9 million people) has been out of work for more than 12 months, up from one in five in 2007 (see Figure 4).

**Figure 4. Long-term unemployment (12 months or more), 1Q07-2Q13 (1)**

	1Q07 (%)	Number (million)	2Q13 (%)	Number (million)
France	41.4	1.0	40.4	1.3
Germany	56.8	2.1	45.0	1.0
Italy	48.9	0.7	56.4	1.7
<b>Spain</b>	<b>21.5</b>	<b>0.4</b>	<b>49.3</b>	<b>2.9</b>
UK	23.7	0.4	37.2	0.9
EU	44.2	7.8	46.9	12.5

(1) Percentage of total unemployment, not seasonally adjusted data smoothed using three-quarter moving averages.  
Source: OECD.

Another way of looking at Spain's dire unemployment problem (with an official jobless rate of 26%) is through the employment rate, defined as the share of people of working-age who are employed. Spain's employment rate dropped 10 pp between the second quarter of 2008 and the same period of this year, the biggest fall among the 34 OECD countries (see Figure 5).

**Figure 5. Employment rates (15-64) (1)**

	2Q08	2Q13
France	64.8	64.0
Germany	69.8	73.3
Italy	58.8	55.5
<b>Spain</b>	<b>64.9</b>	<b>54.3</b>
UK	71.8	70.5
EU	65.8	63.9

(1) Employment as a percentage of corresponding working-age population.  
Source: OECD.

The scientific community, hard hit by cuts, is far from happy with the government ignoring its demands. Researchers held a mock funeral for Spanish science in Madrid on the European Commission-backed Researchers' Night. Scientists met with all political parties before the budget to press their case but to no avail. Emilio Lora-Tamayo, CSIC's chairman, warned the institution faced 'technical bankruptcy' if a credit did not arrive this month.

Their request, signed by the Confederation of Spanish Scientific Societies, the Conference of University Chancellors, a wide range of Conferences of University Deans, most of the directors of the Spanish National Research Council centres, several grassroots scientific organisations and the trade unions, among others, contained four basic requests:



- (1) That public spending on R&D is restored to 2009 levels by 2016, to converge with the EU-27 average of 0.6% of GDP; this would require an annual increase of €636 million for three years.
- (2) The elimination of the current restrictions on hiring in the public research system, which is resulting in the permanent loss of 90% of the tenured posts left vacant due to retirements.
- (3) The release of enough resources in 2013-16 for the national research grants programme, and a guarantee that future calls for proposals will follow clear and sensible timelines.<sup>4</sup>
- (4) The creation of the national research agency as an autonomous and politically independent institution with a multi-annual budget.

#### *Spain bounces back in the markets with first 30-year bond in four years*

Spain's improving macroeconomic fundamentals and enhanced investor confidence led the Treasury to launch successfully its first 30-year bond since September 2009 when the country was still rated double A plus by Standard & Poor's, only one notch below the top grade possible.

The Treasury placed earlier this month €4 billion at a yield of 5.21%, making the country more than 90% funded for this year. Demand for the bond was notably high among international investors.

Only last year, there were fears that Spain would be forced out of the euro zone by its banking crisis. S&P still rates the Kingdom of Spain triple B minus with a negative outlook, eight notches lower than four years ago and not far from junk status.

The benchmark 10-year bond yield has been steadily declining from its peak of 7.75% in July 2012 to around 4.30% in the middle of October. The risk premium on these bonds over German equivalents was down to 245 bp from 300 bp in June 2013, 395 bp at the end of 2012 and 637 bp in July 2012 (see Figure 6).

**Figure 6. 10-year government bond yields (%) and spreads over Germany's bunds (pp) (1)**

	Yield (%)	Spread (pp)
Germany	1.85	–
Greece	8.64	+6.78
Italy	4.23	+2.37
Portugal	6.19	+4.34
<b>Spain</b>	<b>4.30</b>	<b>+2.45</b>

(1) 21 October.

Source: ThomsonReuters.

#### *Stock market rallies as Europe's best performer this year*

The Ibex-35, the benchmark index of the Madrid Stock Exchange, crossed the 10,000 mark and reached its highest level since July 2011, making it Europe's best performer so far this year (see Figure 7).

<sup>4</sup> See <http://www.theguardian.com/science/political-science/2013/oct/03/science-policy-spain>.

**Figure 7. Main stock market indices (% change), 1 January-21 October 2013**

Index	
<b>Ibex-35 Spain)</b>	+22.9
Dax (Frankfurt)	+16.5
FTSE 100 (London)	+12.8
Euro Stoxx 50	+14.9
Dow Jones	+17.5
Nikkei (Tokyo)	+41.3

Source: Markets.

At 21 October the index had risen 22.9% this year, but it still has a great deal of ground to recover before reaching its peak of 15,945 in November 2007 before the onset of Spain's recession.

The index reached a low of 5,364 in July 2012 and has steadily climbed since then, mostly in the last two months as evidence emerged that Spain was coming out of recession.

#### *Banking reforms on track, says the IMF*

Spain's financial sector reform programme is on track, but banks need to keep on strengthening their solvency without further cutting credit, the IMF said at the end of its fourth monitoring mission.

The team said measures to increase capital arising from the stress test in 2012 were now almost complete and that the 'bad bank' SAREB was liquidating its assets at a faster pace.

In a separate development, and as part of the banking supervision reforms demanded by the troika, the discrepancies of Bank of Spain inspectors, which arise when assessing the health of a bank, will be made known to the central bank's top management and in writing. Inspectors said evaluations in the past were toned down by middle management before they reached the top and differences of opinion were often made verbally.

The Comptroller General's Office had earlier criticised the Bank of Spain for its 'softened' supervision reports on Bankia and, in particular, on Caja Madrid as the reports 'did not reflect the problems in all their crude reality'.

Bankia, formed from the merger of seven savings banks including Caja Madrid, had to be nationalised in 2012.

The non-performing loans of Spain's banking system represented a new high of 12.1% of total lending at the end of August. This figure excludes the toxic assets in the 'bad' bank Sareb and is the result of rising bad loans and a fall in the denominator (total credit) caused by a shrinkage in lending (-12.3% year-on-year).

### *Record remittances as more Spaniards work abroad*

Spain received record remittances of €1.59 billion in the second quarter compared with €1.56 billion sent abroad by immigrants in Spain. The net balance of €28 million in Spain's favour was the highest since 2003, according to the Bank of Spain.

Spain was a net recipient between 1990 and 2003. In 2004, with the economy booming and an influx of immigrants, mainly drawn to the construction sector, the balance of remittances was negative (a marginal amount of €4 million). In 2007, there was a record negative balance of €3.13 billion.

Almost 60,000 Spaniards emigrated last year, while only 32,380 Spaniards returned, according to the National Statistics Office (INE). In the same year, 135,045 foreign workers residing in Spain left the country.

According to the registry of Spaniards resident abroad (known as PERE) and data in countries where Spaniards reside, the number of Spaniards officially recorded as living in other countries increased by only 40,000 (+6%) in net terms between January 2009 and January 2013 (less than 0.1% of Spain's population) to a total of 1.9 million (considerably less than the 6.4 million foreign-born citizens living in Spain including 900,000 naturalised Spaniards). The 40,000 figure excludes the very many who move abroad to find a job and then return home, and it belies the impression given in the Spanish press of a mass exodus.<sup>5</sup> Spanish society has, in fact, been exceptionally immobile over the last 30 years.

The platform *remesas.org*, which specialises in remittances, said the bulk of the money may be being sent by naturalised Spaniards who have now returned to their countries of origin and are sending money to relatives who remain in Spain.

Much higher figures are given in a report by Amparo González-Ferrer of the Spanish National Research Council (CSIC) which says the PERE figures are underestimated as they are based on registered Spaniards who have to demonstrate they have lived abroad for more than a year.<sup>6</sup> She said many Spaniards do not register in their consulate for a variety of reasons or with the authorities of the countries where they reside.

## **Corporate scene**

### *Fagor seeks protection from creditors*

Fagor, Europe's fifth-largest electrical-appliance company and part of the Mondragon group, the world's largest cooperative, filed for protection from creditors in order to try to refinance its debt.

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<sup>5</sup> See the revealing analysis by Carmen González Enríquez at [http://www.realinstitutoelcano.org/wps/portal/rielcano\\_eng/Content?WCM\\_GLOBAL\\_CONTEXT=/elcano/elcano\\_in/zonas\\_in/ari39-2013-gonzalez-enriquez-emigran-los-espanoles](http://www.realinstitutoelcano.org/wps/portal/rielcano_eng/Content?WCM_GLOBAL_CONTEXT=/elcano/elcano_in/zonas_in/ari39-2013-gonzalez-enriquez-emigran-los-espanoles).

<sup>6</sup> See <http://www.falternativas.org/laboratorio/libros-e-informes/zoom-politico/la-nueva-emigracion-espanola-lo-que-sabemos-y-lo-que-no>.



The company's sales are down by around a third since 2007, before Spain's crisis and the bursting of a real estate bubble.

Fagor employs more than 5,500 people and is a key part of the Basque economy, accounting for 3% of the region's GDP and 7.4% of its industrial output. Mondragon has plants in 18 countries outside Spain.

#### *Bill Gates acquires 6% of FCC*

The US software billionaire Bill Gates bought 6% of the construction company FCC for €113.5 million, making him the second-largest shareholder after the company's president, Esther Koplowitz.

The company was hard hit by the bursting of Spain's property bubble and construction crash, but since June its share price has soared.

#### *BBVA sells stake in China's Citic Bank*

BBVA, Spain's second-largest bank, sold a 5% stake in Citic Bank for close to €1 billion back to the Chinese bank's parent company in order to help it comply with the introduction of the new Basel capital ratio regulations.

As a result, BBVA's stake in Citic dropped from 15% to 9.9% and its fully-loaded Basel III capital ratio will be well over 9%. By reducing its stake, BBVA avoids being penalised under Basel III rules on 'significant investments' (more than 10%) in other banks.

#### *UK and Canadian companies buy a shopping centre*

Intu Properties, the UK shopping-centre owner, and the Canada Pension Plan Investment Board teamed up to acquire a mall in Oviedo for €162 million, in a further vote of confidence in Spain's depressed property market.

The mall covers 800,000 square feet and is one of the 10 largest by size in Spain.

The deal is believed to be the first transaction involving commercial real estate. Blackstone and Goldman Sachs Private Equity have acquired residential properties.