Inside Spain 48
Note: the last Inside Spain was published on 17 July.

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Foreign Policy

King Juan Carlos and Hugo Chávez Make Up

Hugo Chávez, Venezuela’s fiery President, visited Madrid and made peace with King Juan Carlos who last November sparked a diplomatic row when he lost his royal composure and shouted ‘Why don’t you shut up’ at him during the Iberoamerican summit in Chile. The King then stormed out of the meeting.

The outburst came after Chávez had repeatedly interrupted José Luis Rodríguez Zapatero, the Spanish Prime Minister. The catchphrase was emblazoned on T-shirts and quickly became one of the country’s most popular mobile ring tones.

Chávez threatened to retaliate against Spanish companies in Venezuela, but this proved to be hollow although in an unrelated move Grupo Santander is having to sell its bank in the country to the state. Santander was in the process of selling Banco de Venezuela, the country’s third-largest bank, for a reported €835 million when Chávez announced that the state wanted it, apparently for the same price. This move follows a spate of nationalisations earlier this year in the steel, cement and food sectors.

The meeting in August between the monarch and Chávez was all smiles, jokes and hugs. Chávez promised Spain 10,000 barrels of oil a day at US$100 a barrel (well below the then prevailing market price but which is now approaching US$100).

Government Commits €450,000 to Cultural Centre in Washington

The Foreign Ministry has committed an initial €450,000 to promoting a wide-ranging centre in Washington, the linchpin of a long overdue effort to make Spain better known and understood in the US. The Casa España-Estados Unidos will be housed in the former residency of Spanish ambassadors and is expected to be inaugurated in 2010 by José Luis Rodríguez Zapatero, the Prime Minister, in what would be his first official visit to the US since taking office in 2004.

It is striking how little is known of Spain in the US beyond the stereotyped images, particularly the country’s tremendous development over the past 30 years. But for Spain, the US, as it is known today, might perhaps have never existed. At the time of the American Revolution (1775-83), almost all of the modern-day US west of the Mississippi River up to Canada, as well as what is now called Mexico (then known as New Spain), was a territory of Spain. Spain was an ally of France and an economic competitor of Great Britain. It took the side of the American rebels, more out of hatred for Britain, its old rival, than for any enthusiasm for the cause of independence, which it feared would spread to the Spanish colonies in Latin America, as it eventually did.
American schoolchildren learn about the Frenchman Gilbert du Montier, the Marquis de Lafayette, and how he fought against the British, but little or nothing about the Spaniard Bernardo de Gálvez, the governor of Louisiana, to name just one, whose troops seriously damaged British naval power in the Caribbean and the Gulf of Mexico. In 2002, 168 years after he died, the US Congress made Lafayette an honorary citizen. All Gálvez has is a city in Texas named after him (Galveston).

Today, Spain is remembered, especially in the White House, more for Rodriguez Zapatero’s withdrawal of Spanish peacekeeping troops from Iraq than for its support for US independence.

The Casa España-Estados Unidos will serve as a showcase for Spanish art and history as well as the culture it shares with Hispanic countries. It will also be a meeting place for Hispanic and American business leaders. The centre will be built with public and private sector funds. Total investment is put at around €9 million, the bulk of which, it is hoped, will come from the private sector.

The Hispanic population in the US is already larger than the population of Spain, and there are more than 3,000 appointed or elected Hispanic leaders at the federal and state level including three senators, 26 members of Congress, many mayors, including Los Angeles, and a state governor. Spanish is also the most studied foreign language in secondary schools and universities and Spain one of the most popular countries for American students on their junior year abroad.

In a separate initiative, the government, via ICEX, the foreign trade institute, has committed €40 million over two years to promoting Spain and its products in the US. Spanish exports account for a mere 0.5% of America’s total foreign purchases, one-sixth the UK’s share, one-fourth the French share and one-fourth the Italian share and compared with Spain’s 2% share of global trade. Spain’s share of the US market is more in line with that of medium-sized EU countries, such as Austria, Belgium and Denmark, whose economies are much smaller. Spanish direct investment in the US is growing, but exports there account for around 5% of Spain’s total exports, half the share that goes to neighbouring Portugal.

**Domestic Scene**

*Basque Government to Appeal to European Rights Court over Referendum Ban*

Juan José Ibarretxe, the Premier of the Basque Country, is to seek a ruling from the European Court of Human Rights after Spain’s Constitutional Court unanimously upheld a move by the central government and the main opposition Popular Party to block the October 25 referendum on the region’s political future.

The Court said that the 1978 constitution gave the Spanish state ‘the exclusive authorisation to call popular consultations by means of a referendum’ and the referendum (to be held solely in the region) infringed the constitution by seeking an opinion on an issue that concerned the whole country.
The Basque government has been pushing the referendum as a way to seek a peace deal with the Basque terrorist group ETA, provided it renounced violence, and determine its position within Spain (viewed as opening the door to secession).

The proposed referendum would ask voters two questions: (1) ‘Do you support a process aimed at negotiating an end to violence if ETA first demonstrates, unequivocally, its will to definitively end violence?’ and (2) ‘Do you agree that Basque political parties should begin a process of negotiation to reach an agreement on a democratic accord on the Basque people’s exercise of the right of self-determination and that this accord be submitted to a (regional) referendum before the end of 2010?’.

Ibarretxe said the ruling was an ‘attack on the Basque government’ which had ‘confirmed our worst fears... by putting reasons of state above reasons of democracy’.

*Judge Requests Documentation on Mass Graves from the Civil War*

Judge Baltasar Garzón requested documentation about the unmarked graves of the victims of Spain’s 1936-39 Civil War and of its aftermath of repression during the Franco dictatorship from the Socialist central government, the Catholic Church, the keepers of Franco’s tomb and several city halls.

The move, the first of its kind since the death of Franco in 1975, follows on from the Historical Memory Law passed by parliament last year (see Inside Spain, Newsletter 39, 6 November 2007) which commits public administrations to help families locate and identify the sites of mass graves.

Voluntary organisations have exhumed 4,054 bodies from 171 mass graves since the year 2000. It is estimated that just in Turia, Valencia, 26,000 people were buried in mass graves between 1 April 1939 (the end of the Civil War) and 31 December 1945. This is roughly the same number as the victims of Argentina’s ‘dirty war’ between 1976 and 1983.

The conservative Popular Party (PP), which voted against most of the elements of the Historical Memory Law, and its supporters in the politicised judiciary oppose the move because it ‘opens the wounds of the past’ and breaks the pact forged during the transition to forgive and forget. Its linchpin was the amnesty accord of 1977; the Franco regime was not put on trial and no truth commission was established. The PP also sees the Socialists’ hand behind the move in order to divert public attention away from the country’s economic crisis and discredit the PP by implicitly accusing it of being the direct heir of Franco.

The bodies of those who had died in support of Franco were exhumed after the Civil War and their graves inscribed with the words, *Caídos por Dios y por España* (‘Fallen for God and for Spain’), but the dead on the Republican side (or assumed to be) were left in unmarked graves. The PP government of José Maria Aznar paid in 2003 for the exhumation and repatriation from Russia of Spanish volunteers from the Blue Division killed while fighting on Hitler’s side.
While the ‘red terror’ was well documented by the Franco regime, it is only in recent years that a movement has emerged pressing for information about the unmarked graves of those on the other side. Whereas the generation of Socialists under Felipe González (now aged 66) that oversaw Spain’s transition between 1983 and 1996 was reluctant to open old wounds, the current one under the 48-year-old José Luis Rodríguez Zapatero, the Prime Minister whose grandfather, a Republican captain, was shot for refusing to support Franco’s side, believes enough time has passed and Spain’s democracy is sufficiently consolidated for people to confront their past in greater detail. More is known about the ‘horrors’ of Stalinism and Nazism, thanks to investigations and the opening of official archives, than those of Francoism. The complex situation is epitomised by the issue of whether to dig up the site where the Republican poet Federico García Lorca is said to be buried after he was shot by Franco supporters. While the Lorca family is against the exhumation, the family of a teacher shot with him has asked Garzón to make a ruling.

**Government Seeks to Discourage Immigrants from Africa**
The withering economy has propelled the government into spreading the word in African countries that illegal immigrants are very unlikely to find a job in Spain.

The total number of immigrants arriving by boat was 9% lower in the first seven months of the year at 7,165 (4,939 of them in the Canary Islands, 13% fewer), but this is still a significant flow. The 27 centres for immigrant minors in the Canaries are so full that mainland Spain is having to take more of the overspill. The bodies of 13 African migrants were found in a boat off the islands and in a separate incident 85 migrants were rescued from a rubber dinghy. Between January 2007 and 31 July 2008 close to 25,000 people were arrested in connection with the trafficking and employment of illegal immigrants.

Ángel Lossada, a Secretary of State at the Foreign Ministry, visited several African countries during July to foster a high level meeting between Spain and West Africa, and Celestino Corbacho, the Labour Minister, was due to visit countries during September. Both bear the same message: unemployment is rising in Spain and when there is work priority will be given to jobless immigrants already in the country and not to the hiring of workers in their country of origin.

Corbacho provoked a storm in some circles when he said that the number of immigrants officially hired in their country of origin next year would be ‘close to zero’ because unemployment was rising and preference should be given to Spaniards. This somewhat contradicted the government’s policy of seeking to counter illegal immigration by selecting immigrants from some countries. Teresa Fernández de la Vega, the Deputy Prime Minister, repudiated the Minister and claimed there would be no change in the immigration policy.

In the first seven months of this year 88,180 workers were hired in their country of origin. Although unemployment is rising quickly, some pockets of the economy, such as the planting and picking of strawberries and other fruit in Huelva, do not have enough workers as jobless Spaniards are reluctant to take these jobs.
According to the OECD’s latest International Migration Outlook, published earlier this month, Spain received in 2006 the second largest flow of migrants, although this number is not strictly comparable as it includes short-term stay, while the figures for the other countries in Figure 1 are all permanent-type migration and standardised statistics. Spain’s foreign-born population accounted for 11.9% of the total in 2006 (see Figure 2), while the share of the foreign-born in the total labour force and employment was 15.1% and 14.6%, respectively (see Figure 3).

Figure 1. Inflows of Foreign Nationals in Selected OECD Countries, 2003-06 (1)

<table>
<thead>
<tr>
<th>Country</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>703,500</td>
<td>957,900</td>
<td>1,122,400</td>
<td>1,266,300</td>
</tr>
<tr>
<td>Spain</td>
<td>281,200</td>
<td>403,000</td>
<td>305,700</td>
<td>388,600</td>
</tr>
<tr>
<td>UK</td>
<td>260,100</td>
<td>312,00</td>
<td>363,100</td>
<td>343,200</td>
</tr>
<tr>
<td>Canada</td>
<td>221,400</td>
<td>235,800</td>
<td>262,200</td>
<td>251,600</td>
</tr>
<tr>
<td>Germany</td>
<td>231,300</td>
<td>263,900</td>
<td>241,400</td>
<td>216,000</td>
</tr>
<tr>
<td>Australia</td>
<td>150,000</td>
<td>167,300</td>
<td>179,800</td>
<td>191,000</td>
</tr>
</tbody>
</table>

(1) Permanent-type migration (standardised statistics) for all the countries except for Spain whose figures are based on national definitions and include short-term stay.

Source: OECD.

Figure 2. Foreign-Born Population in Selected OECD Countries, 2006 (1)

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage of Total Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luxembourg</td>
<td>34.8</td>
</tr>
<tr>
<td>Switzerland</td>
<td>24.1</td>
</tr>
<tr>
<td>US</td>
<td>13.0</td>
</tr>
<tr>
<td>Spain</td>
<td>11.9</td>
</tr>
<tr>
<td>UK</td>
<td>10.1</td>
</tr>
<tr>
<td>France</td>
<td>8.3</td>
</tr>
</tbody>
</table>

(1) The foreign-born population can be viewed as representing first-generation migrants, and may consist of both foreign and national citizens.

Source: OECD.

Figure 3. Share of the Foreign-Born in Total Labour Force and Employment, 15-64 Years Old (%)

<table>
<thead>
<tr>
<th>Country</th>
<th>Share in Total Labour Force</th>
<th>Share in Total Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>11.7</td>
<td>12.0</td>
</tr>
<tr>
<td>Italy</td>
<td>5.1</td>
<td>8.6</td>
</tr>
<tr>
<td>Spain</td>
<td>7.8</td>
<td>15.1</td>
</tr>
<tr>
<td>UK</td>
<td>8.8</td>
<td>11.2</td>
</tr>
<tr>
<td>US</td>
<td>14.7</td>
<td>15.7</td>
</tr>
</tbody>
</table>

Source: OECD.

Socialists and Popular Party End Two-Year Judiciary Dispute, Accused of Partisanship

The government and the opposition Popular Party (PP) reached an agreement on the new members of the Consejo General del Poder Judicial (CGP), the governing body of the judiciary, after a two-year dispute. The accord, however, was widely criticised in the media, the legal profession and civic society for resulting in a choice of members who are not sufficiently independent. It had been hoped that the two main parties would put an end to the CGP’s ideological division, which stems from the body being based on the parliamentary strength of parties. Mariano Fernández Bermejo, the Justice Minister, expressed his disappointment.

Of the 20 members, nine are close to the Socialists, nine to the PP and the other two are leading representatives of the Basque Nationalist Party (PNV) and Catalonia’s Convergence and Union (CiU). The new members include Margarita Robles, a former Secretary of State of Security in a previous Socialist government, and Fernando de Rosa, Justice Minister in the PP-run regional government of Valencia.
Spain is one of the few EU countries where the two main parties have professional associations for lawyers clearly identified with them. It is thus easy to pinpoint political affiliations. No judge from outside these associations (who account for around half the total number) was appointed to the CGP. ‘The decision is a slap in the face to 50% of the legal profession’, said Fernando Grande-Marlaska, a high-profile judge at the Audiencia Nacional, responsible for cases of terrorism and organised crime among other matters. ‘It is clear that neither Génova (the street where the PP has its headquarters) nor Ferraz (the Socialists’ headquarters) like independents’.

*Spotlight on Education*

The bursting of Spain’s real-estate bubble, after a decade-long boom in the construction sector, one of the main engines of the economy, and the growing need for the country to move away from bricks and mortar and more toward a knowledge-based economy is increasingly casting the spotlight on the ailing education sector.

Among the key results of the OECD’s annual *Education at a Glance* report (based on figures for 2005-06) are:

- The proportion of Spaniards aged 25 to 34 that have attained tertiary qualification is more than twice as high as among 55 to 64-year-olds (39% compared with 15%). The share of young persons with tertiary qualifications (39% for those aged 25 to 34) is now above the OECD average (33%).
- The proportion of skilled jobs in Spain increased between 1998 and 2006 (from 29% to 32%), but unlike other countries, Spain also saw a rise in the proportion of unskilled occupations from 14% to 15% –making this the largest share among OECD countries–.
- Spending on educational institutions in Spain was 4.6% of GDP in 2005, significantly lower than the OECD average of 5.8%. This is close to the percentage that Spain spent in 2000 (4.8%) but less than in 1995 when expenditure was 5.3% of GDP. This decrease is mainly explained by Spain’s demographic changes.
- The proportion of people who have attained at least upper secondary education is below the OECD average for all age groups. Overall, 50% of people aged 25 to 64 have attained at least upper secondary education in Spain compared with the OECD average of 68%. Despite strong growth in upper secondary attainment throughout the generations, the levels of this attainment even for the younger cohort aged 25 to 34 remains below the OECD average (64% compared to 78%).
- One-fifth of the population aged 15 to 19 is not in education in Spain, the eighth-highest level and one that barely improved between 1995 and 2006. Mercedes Cabrera, the Education Minister, announced that the percentage of 18 to 24-year-olds who had not completed their secondary education and were also not in professional training courses rose from 29.9% in 2006 to 31% last year.

*Olive Oil Farming Creating ‘Serious Environmental Problem’*

Spain is one of four countries where intensive olive oil farming is turning areas into deserts and producing water shortages, according to the British magazine *The Ecologist*. The other three are Italy, Greece and Portugal.
The magazine said olive trees are densely packed, planted in massive irrigated lowland plains and harvested by machines that shake the trunks. More water and chemicals are used than traditional farms in upland terraces. ‘Demand for cheap, mass-produced oil is making it a struggle for the smaller, traditional farms to be economically viable’.

In the case of Spain, prone to long periods of drought (the latest, lasting four years, recently ended), agriculture is by far the largest consumer of water, although the sector only generates around 3% of GDP.

The warning coincided with the launch of the government’s plan to combat desertification. Two-thirds of Spain’s territory is threatened by desertification. Ecologists say the plan, first mooted in 2003, is too late and insufficient, failing, for example, to deal with the problem of fertile land swallowed up by the country’s uncontrolled and massive urbanisation.

Spain Tops Quality of Life League, Despite Economic Woes
Spain has the best quality of life among 10 European countries surveyed by the UK firm uSwitch and Britain and Ireland the worst, even though its average annual net income is well below the average and its economy is headed toward recession.

The league table is based on various indicators including hours of sunshine, life expectancy, price of petrol, annual household gas and electricity bills, working hours and retirement age (see Figure 4). In 2006 (the last year for figures), 41,026 people voted with their feet and left the UK, the largest number in Europe.

<table>
<thead>
<tr>
<th>Country</th>
<th>Net annual income (£)</th>
<th>Annual Hours of Sunshine</th>
<th>Life Expectancy (years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td>16,789</td>
<td>2,665</td>
<td>80</td>
</tr>
<tr>
<td>France</td>
<td>24,220</td>
<td>1,967</td>
<td>81</td>
</tr>
<tr>
<td>Germany</td>
<td>27,468</td>
<td>1,573</td>
<td>79</td>
</tr>
<tr>
<td>Netherlands</td>
<td>26,414</td>
<td>1,414</td>
<td>79</td>
</tr>
<tr>
<td>Denmark</td>
<td>27,834</td>
<td>1,706</td>
<td>78</td>
</tr>
<tr>
<td>Sweden</td>
<td>26,848</td>
<td>1,702</td>
<td>81</td>
</tr>
<tr>
<td>Italy</td>
<td>18,218</td>
<td>2,356</td>
<td>80</td>
</tr>
<tr>
<td>Poland</td>
<td>21,331</td>
<td>1,514</td>
<td>75</td>
</tr>
<tr>
<td>UK</td>
<td>35,730</td>
<td>1,478</td>
<td>79</td>
</tr>
<tr>
<td>Ireland</td>
<td>29,192</td>
<td>1,397</td>
<td>78</td>
</tr>
<tr>
<td>Average</td>
<td>25,404</td>
<td>1,777</td>
<td>79</td>
</tr>
</tbody>
</table>

Source: uSwitch.

The Economy

GDP Growth Lowered Again, Government Launches Housing Rescue
The economy grew by a miniscule 0.1% in the second quarter over the first quarter, the lowest pace in 15 years, forcing Pedro Solbes, the Finance Minister, to lower the GDP growth forecast for the whole year down to 1.6%. This was the third revision in less than a year. The initial forecast was 3.3%, not much lower than the 3.7% registered in 2007. The European Commission said Spain’s GDP would contract in the third and fourth quarters.

In a bid to stave off a chain reaction of bankruptcies among property developers, José Luis Rodríguez Zapatero, the Prime Minister, said a €3 billion credit line would be made available provided the companies committed themselves to making unsold new
homes available for rent for a fixed period. The G-14 group representing the main quoted property companies welcomed the move as it said this would help to stabilise the market.

The economy is unravelling at a much faster pace than most analysts had thought possible. Like Gordon Brown, Britain’s Prime Minister, Rodríguez Zapatero has been slow to recognise the depth of the downturn. Solbes had called it an ‘accelerated deceleration’. Although the economy is very much in the doldrums, the government can draw some comfort from the fact that Spain was the only big EU one to grow in the second quarter, albeit marginally (see Figure 5).

<table>
<thead>
<tr>
<th>Second Quarter/First Quarter</th>
<th>Year-on-Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>-0.3</td>
</tr>
<tr>
<td>Germany</td>
<td>-0.5</td>
</tr>
<tr>
<td>Italy</td>
<td>-0.3</td>
</tr>
<tr>
<td>Spain</td>
<td>+0.1</td>
</tr>
<tr>
<td>UK</td>
<td>0.0</td>
</tr>
<tr>
<td>EU-27</td>
<td>-0.1</td>
</tr>
</tbody>
</table>

Source: Eurostat.

Among the latest indicators are:

- Unemployment surpassed 2.5 million in August, 103,000 more people than in July and 24.7% higher than a year earlier. Having created jobs more quickly than any other EU country, Spain is now losing them at the fastest pace, especially in the construction sector. While in 1993, when the economy last dipped into recession, unemployment was largely due to the destruction of existing jobs, this time jobs are being lost and entrants into the labour market are not finding work. But Spain is still very far from its unemployment rate of 22% in 1993. Spain’s jobless rate is the highest in the OECD, according to the latest comparative standardised figures (11% in July), excluding Mexico and Turkey whose figures are not given.

- The annual rate of inflation eased in August to 4.9% from 5.3% in July.

- The current account deficit for the first half continued to grow to €58,615 million (10.7% of GDP). Last year it was 10% of GDP. The trade deficit was €51,502 million (imports rose 8.1% and exports 6.4%).

- General government deficit of 0.9% of GDP in the first seven months, double that for the first half. There has been a surplus for the last four years. But for the Social Security surplus the deficit would have been higher.

- The number of tourists (7.1 million) in July, traditionally a strong month, was 8% lower than in the same month of 2007. This was the largest monthly fall since 1996.

- There were more bankruptcy proceedings (1,056) in the first half than in the whole of 2007 (976).

- Car sales plummeted 41% in August over the same month of 2007. This was the largest monthly fall since January 1993. The number of cars sold in the first seven months was 21% lower. Four car producers –General Motors, Ford, Citroën and Seat– said they would cut around 2,000 jobs.

- More than half the number of real estate offices have closed so far this year. According to Torno & Asociados, nine of the 10 largest real estate agencies had more than 100 offices at the end of 2007. Today, only three of them do.
The non-performing loans ratio of the whole banking system was 1.7% in June, according to the Bank of Spain, double that at the end of 2007. The figure, however, is still low by Spanish and international standards.

The Madrid stock market hit its lowest point in more than two years on 15 September, when the Ibex-35 reached 10,899.

The government also announced other measures including some spending cuts and policies to cut down on the consumption of oil. Rodríguez Zapatero says he will not push ahead with any structural reforms –for example in the labour market– unless they are first agreed by trade unions and employers. He is also adamant that social spending will not be cut. The minimum pension will increase 6% next year, well above the projected inflation rate.

Writing in the Financial Times, in response to a piece in the influential Lex column, which irritated the government and companies, Solbes explained how Spain would return to growth. The Lex piece was called ‘PIGS in muck’ –an acronym for Portugal, Italy, Greece and Spain, all of whose economies are suffering-. Solbes admitted that the ‘worst was not yet over’ but there were solid grounds for optimism ‘because our economy has experienced a radical structural transformation during the past two decades that has put us in a much better position to face the challenges’. He said there had been ‘significant gains in productivity’, the financial system was ‘resilient’ and young workers entering the labour market were ‘more qualified than those retiring’.

Telefónica Lifts its Stake in China Netcom
Telefónica, the world’s fourth-largest telecommunications operator by market value, is to buy a further 5.7% of China Netcom for up to €802 million, giving it a significant position in the new company resulting from the merger of the mobile operator and Netcom, China’s second-largest fixed-line operator.

It will first pay €368 million for 2.7% of Netcom, taking its total stake to 9.9%, and then between €392 million and €434 million for another 3% of Netcom, following its planned merger with Unicom.

Telefónica broke into the Chinese market three years ago by buying a 3% stake in Netcom for €240 million. It said then it hoped to lift this to 5%. If approved. Telefónica will be the largest foreign shareholder in the new company (to be called Unicom) with 5.5%.

Iberia to Join British Airways and American Airlines in Mega Joint Venture
Iberia, British Airways and American Airlines have applied for antitrust immunity in order to create a company that would be a powerful force in the transatlantic aviation market. The three carriers are all members of the Oneworld global airline alliance. Virgin Atlantic is seeking to block the move on the grounds that it would reduce competition.

Iberia’s earnings, like that of most carriers, have been hit by rising fuel costs. Its profits for the six months were 72% lower than a year earlier at €20.7 million, in spite of almost flat revenues of €2.67 billion.
The three carriers want to share revenues and co-ordinate prices, capacity, schedules and routes on flights between the US, Canada and Mexico on the one hand and the EU’s 27 member-states, Norway and Switzerland on the other.

*Caja Madrid Buys Mexican Bank*
Caja Madrid, Spain’s second-largest savings bank, agreed to acquire 60% of the Mexican mortgage finance company Su Casita for €342 million, giving it full control. Su Casita has a 10% share of the Mexican market.

*Ferrovial Resists Proposed Break Up of its UK Airports Subsidiary BAA*
Ferrovial, which two years ago bought BAA, the world’s biggest airport operator, for £10.3 billion is opposing the proposal of the UK Competition Commission that it sell two of its three London airports and one of either Glasgow or Edinburgh airports because of ‘significant competition problems’ which are ‘evident from a large number of factors including [BAA’s] lack of responsiveness to the needs of its airline customers and a lack of initiative in planning capacity’.

Since the beginning of 2007 the company has sold Budapest airport, its stake in Sydney’s international airport, its duty-free retail business, part of Airport Property Partnership, the property portfolio of BAA, and earlier this month Belfast airport (acquired in 2003). In Spain it also sold its property development division.

Ferrovial’s net profits in the first half of this year were €58.7 million, down from €756 million in the same period of 2007. However, the comparison is distorted by extraordinary items, including €705 million worth of asset sales last year (€213 million this year).

*Government Breached EU Rules on Energy Acquisitions*
The European Court of Justice ruled that the government broke European laws by imposing special conditions on the acquisition of Endesa, which was bought last year by Italy’s Enel and the Spanish company Acciona after a bitter struggle with Germany’s E.on. Madrid opposed E.on’s take-over.

The government required deals in the energy sector to gain prior approval from regulators at the National Energy Commission. The Court said this breached the ‘free movement of capital’ and ‘freedom of establishment’ rules. The European Commission had pursued the matter to the courts.

The ruling was the second legal defeat for Madrid on this issue. The Court, in response to a case brought by the Commission’s competition arm, ruled in March that the government had acted unlawfully by imposing conditions on the proposed acquisition of Endesa by E.on.

*Spanish Companies Boost Presence in Fortune Global 500*
Spain has 11 companies in the latest Fortune Global 500 largest companies in the world, two more than last year (see Figure 6). Altadis dropped out and Iberdola, Fomento de Construcciones and Mapfre joined. Spain has one more company than Italy in the list and 28 and 26 fewer than France and Germany, respectively.
<table>
<thead>
<tr>
<th>Country Rank</th>
<th>Company</th>
<th>Global 500 Rank</th>
<th>2007 Revenues (US$ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Grupo Santander</td>
<td>58</td>
<td>89,295</td>
</tr>
<tr>
<td>2.</td>
<td>Telefónica</td>
<td>76</td>
<td>77,254</td>
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<tr>
<td>3.</td>
<td>Repsol YPF</td>
<td>92</td>
<td>67,006</td>
</tr>
<tr>
<td>4.</td>
<td>BBVA</td>
<td>134</td>
<td>51,449</td>
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<tr>
<td>5.</td>
<td>Endesa</td>
<td>258</td>
<td>30,018</td>
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<td>6.</td>
<td>ACS</td>
<td>270</td>
<td>29,171</td>
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<td>7.</td>
<td>Cepsa</td>
<td>313</td>
<td>25,853</td>
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<tr>
<td>8.</td>
<td>Iberdrola</td>
<td>339</td>
<td>23,910</td>
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<td>9.</td>
<td>Grupo Ferrovial</td>
<td>424</td>
<td>20,062</td>
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<td>10.</td>
<td>Fomento de Construcciones</td>
<td>440</td>
<td>19,267</td>
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<td>11.</td>
<td>Mapfre Group</td>
<td>463</td>
<td>17,984</td>
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Source: Fortune.