



# The Transformation of the Spanish Influence in Latin America through the Multinationals: An Economic View

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## ABSTRACT

Today the influence of the countries is manifested in a more subtle way than in the past. While in the past the cornerstone of influence was the use of force and coercion in order to dominate a certain territory, today everything tends to be more covert and somewhat sophisticated. The States now make more use of soft power than hard power, without giving up the use of force if is necessary. This is the case of Spanish multinationals throughout the American hemisphere or what is known as Latin America, where with a great expansion throughout the region backed by the political power of the Spanish State, it has managed to export Spanish presence and influence again throughout the region, more than 200 years after the independence of these countries from the Spanish crown. The assertive analysis of how dominance by force has given way to economic dominance is the main point of this article. Analyse the operations of these companies in the region through a meticulous investigation and its corresponding historical process to understand how works.

**Keywords:** Spanish influence, Latin America

## 1 Introduction

The Kingdom of Spain or formerly Spanish Empire was an extensive territory that formed large part of the American continent except Canada. As is notorious, the colonization and expansion of the Spanish empire began with the discovery of America in 1492 until the end of the empire in 1898, with the loss of the last colonies such as Cuba, Puerto Rico and the Philippines. Although there were still two colonies left in Africa, such as Equatorial Guinea and Western Sahara, the primacy of Spain focused on the total control of the American territories, divided into vicerealties for their better administration, due to their immense size. In the post-independence stage of the American territories, Spain began a century of economic decline, international isolation, and civil war that plunged the country into chaos and absolute decadence for most of the 20th century. Spain had no influence whatsoever in the world, much less in its distant former American colonies, something that nevertheless ended with the end of the dictatorship of General Francisco, who ruled Spain from the end of the civil war in 1939 until his death in 1975. With the death of Franco and the entry of Spain into the democratic stage, the country it had an opening to the world, which would give rise to an exponential economic growth that would catapult the country to regain its international presence and influence. Spain would enter the European economic community in 1986, and its economic modernization would bring with it the emergence and embryo of the first competitive Spanish companies in the world, which later would be the backbone of Spain as global player, mainly due to those new transatlantic giants.

## 2 The European Economic community as main reason

In 1986 Spain entered the European Economic Community after a long decade of isolation, causing the expansion and emergence of the first Spanish multinationals in the world. The EEC articulated the free movement of goods, provision of services, movement of capital and workers, seeking the consolidation of the internal market. However, the reforms have been aimed at overcoming a simplistic conception of the



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formation of an internal market based on goods and important spaces were opened for the creation of internal markets such as electricity, telecommunications, as well as the construction of the Monetary Union. The deregulation and the promotion of competition caused important changes in the economic structure of Spain, not only at the economic-social level, but especially notable in the service sectors that led the internationalization of the Spanish economy, becoming one of the economies where international competitiveness has grown more (El Tiempo, 1996).

The general trend has been the liberalization and deregulation of these sectors, driven by mandatory EU legislation for the Member States and accelerated by technological advances seeking to increase the efficiency of economic structures, especially those that acted as a monopolistic form. The justification has been found in the need to articulate the internal markets of telecommunications, electricity and gas, among others, as a necessary complement to the consolidation of the internal market. The disappearance of barriers in the financial sector has responded to the participation of the Spanish economy of the Monetary Union as a full-fledged State. Structural changes in the telephony, energy, electricity and hydrocarbons sectors and the financial system have shown in some cases common characteristics such as the need for companies to grow in size in order to operate in an increasingly competitive market, the liberalization of the sectors, the important presence of the Public Sector in previous years, the maturity of the markets that reduce the chances of obtaining high profitability, the modernization of the sectors in relation to technological development, the sophistication of the demand and, consequently, of the supply as well as the interconnection arisen with other activities, as in the case of electricity and telephony. Although the liberalization periods do not coincide exactly in these sectors, it can be said that there is especial dynamic in the second half of the 1990s.

But the changes have not only occurred in Spain, but in parallel over time there have been similar trends in Latin America. The import substitution industrialization model (ISI) was definitively abandoned to implement the structural reforms, which under the auspices of the so called “*Washington Consensus*”, would overcome the crisis of the previous development model that led to the lost decade in the whole Latin America. The political orientations derived from this Consensus (Nunnenkamp & Peter, 1990) have been generalized throughout the continent in a homogeneous way in terms of thematic and ideological orientation but have developed in a heterogeneous way both in time and in the instrumentation of these. In reference to the arrival of foreign capital, the importance of privatization processes, the liberalization of traditionally protected sectors and the opening of capital accounts stand out. It has been the second wave of privatizations that opened great investment opportunities that was taken advantage of by Spanish companies. However, it should not be forgotten that like other reforms, privatizations have been done in a disorderly manner so that the buying companies have acquired, to the extent of their opportunities, almost any asset that was sold (LEVÊQUE, 1998).

In addition, from the perspective of the privatized economies, the objectives sought were not always achieved, such as reducing deficit levels or reducing debt, among financiers, attracting foreign capital or increasing competition, among economic ones, or favoring so-called popular capitalism., among politicians. In the early 1980s and in the first half of the 1990s, these processes benefited national Latin American groups and foreign investors in the second half (CEPAL, 2001). However, it can be affirmed that the first stage has also ended up being taken advantage of by foreign agents, while later the national groups sold their assets to foreign investors, and among them Spanish, either because they had no capacity to face the problems financial services they had or to meet the investment needs required to carry out the necessary restructuring (Angeles Sanchez Diez, 2016).

Thus, the beginning of the Spanish multinationals in America was generated and with it the beginning of economic diplomacy in this region.

## 2.1 Control process

The country began the nineties with a timid commercial opening, and in 1999 it was ranked sixth in the ranking of countries according to its volume of foreign investments. Other aspect, which characterizes them is their vocation of permanence, which differentiates them from other types of foreign investment. The Spanish foreign direct investment (FDI) linked to the long-term idea in the country of destination, which generates synergies in both directions. Precisely, direct investment is characterized, unlike portfolio investment, by the ability of a company to successfully insert its comparative advantage into a foreign market. On the contrary, portfolio investment seeks the highest returns in a very limited time horizon. However, one of the peculiar features of the Spanish (FDI) is its massive location in the same region. Brazil, Argentina and Mexico are the main investment destinations, joining at the end of the decade, with a leading role, Chile, Peru and Venezuela. The Spanish FDI aspired to turn the continent into an extension of the national market and in line with this goal, Spanish companies have not sought in Latin America a new market to which they export their exports. This explains two linked phenomena: international expansion in Latin America has not meant a substantial increase in Spanish exports to the region. And secondly, the need to locate as a producer or supplier in the country of destination has led to capital flows aimed at acquiring national companies, both public and private, while maintaining the local “brand”. (Thomas Kamm and Jonathan FriedlandStaff, 1996). In this type of strategy, observe a clear difference with the North American investment model. While the American company focuses on maintaining its brand globally, without seeking local partners, the Spanish investor initially maintains the “local” brand that it acquires, and then, according to the countries, giving way to its “brand”, while creating of new companies was the least used model. In summary, the most used model was the purchase of companies, generally followed by capital increases. Logically, the choice of this strategy, beneficial in long-term horizons, demanded from the outset a very determined bet, which makes it more complex to reverse. It was about implementing processes and activities within the local coordinates, to, in a second step, consolidate in the leadership of the new markets, which required an enormous investment process, being the benefits of this strategy, notorious. It is observed that within the decade, it is possible to distinguish different phases, depending on the investment intensity. This investment of the nineties offers an exponential trend. Thus, flows from Spain to the region increased during all these years, once they had awakened since Spain entered the European Economic Community (1986)(Malamud, 2017). But it is since 1994, when Spanish investment in the region makes a great leap. These are the years of Endesa's entry into Elesur and Enersis, Telefónica's investments in Peru and the strong expansion of financial activities in these countries by the Santander Central Hispano (SCH) and (BBVA) Groups. As mentioned, the year 1997 is doubly significant, since Europe reaches the United States as an investor in Latin America and the Caribbean (Chislett, 2015).

Thanks to the strong push that the Spanish FDI receives during this period, to the point that as it has been collected, the direct investment issued exceeds that received. For this reason, Spain becomes the second international investor in the region, with an amount very close to the United States. According to the sectors chosen as a destination, we find common aspects that allow us to conclude that energy, finance, telecommunications and infrastructure have been the most prominent, being very low investment in the manufacturing and metallurgical industry. These are sectors historically occupied in Spain by large public companies under monopoly and other private companies that acted under oligopoly. As for the internationalization of medium-sized companies, it has been much weaker, (although in Mexico there are more than 800 mixed companies, most of them medium-sized ones). Its strategy has been to focus on support as suppliers of large companies such as: Telefónica, Repsol YPF, Endesa, Iberdrola, Santander, BBVA, or making alliances with small and medium-sized local companies, where Spanish companies generally provide capital, product and technology, and national, market, sector and country knowledge (William Chislett, 2007).

## 2.2 Sectors by massive influence

### 2.2.1 Telecommunications Sector: Telefonica

Telefonica is a private company that has 1.7 million direct shareholders and whose hard core is La Caixa and BBVA. It has 88.5 million customers, is present in 16 countries and has 157,000 employees worldwide. It is the sixth largest company in the sector by market capitalization, the fifth company in Europe and the first in Spain. While it is true that in the field of telecommunications the service has been extended and improved in some aspects. The entry of this company in the different Latin American countries has generated many irregularities.

First, the greater economic activity of Telefonica should have meant a greater tax collection. However, different agreements of the company with the governments of the day, has allowed it to pay less taxes. In many cases it has impeded competition in the sector of other companies by contemplating concessions monopoly periods. Nor has it been a generator of employment since on many occasions the contracting companies were also Spanish, and the management positions have been occupied by Spaniards. In this regard, working conditions have been worsening and the decentralization of services and the creation of subsidiaries has increased the outsourcing of personnel to avoid contractual responsibilities, also intensifying temporary hiring. The entrance of the multinational in the various countries has not meant a saving for internal consumers, being the cost of the telephone service exaggeratedly high. Finally, it has been a faithful collaborator with the governments of the day and, given this close relationship with economic and political power, the Latin American consumer has been left unprotected.

Telefonica Latin America group, 100% controlled by Telefónica, is present in Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Peru, Puerto Rico, Dominican Republic, Uruguay and Venezuela. Its largest business volume is in Argentina through the mediation of Telefónica de Argentina in which it participates with 98.03%; in Brazil through Telespand an 87.49% stake; Chile, with Telefónica CTC Chile and a 44.89% stake; and Peru, in the Telefónica del Perú company and a 98.19% stake. In the rest of the countries, it does so through different companies in its group: Atento, Telefónica Contenidos, Telefónica Empresas, Telefónica Móviles, Terra Networks and TPI Yellow Pages (Juan José Haro Seijas, 2020).

### 2.2.2 Hydrocarbon's sector: Repsol

Repsol is an international oil and gas company, with activities in 28 countries and with more than 30.00 payroll workers. It is one of the ten largest private oil companies in the world and the largest private energy company in Latin America in terms of assets. It has a hydrocarbon production of more than 1.1 million barrels of oil / day equivalent and its oil and gas reserves almost reach the 5,000 million barrels that are located, mainly, in Latin America and North Africa. Its main shareholders are the financial groups La Caixa and BBVA and its activities are focused on exploration and exploitation, refinement and sale and distribution of oil. Repsol defends that "it is developing a corporate strategy whose main pillars are the protection of the environment, the establishment of a human resources policy that promotes the continuous improvement of labor relations and the integration of concrete measures and actions that contribute to the development of the society".

But the reality is different. At first it is already strange that a country like Spain appears in South America with an oil company when it neither has oil nor has great relations with the producing countries. Within that framework, Repsol buys Latin American public companies in the hydrocarbons sector at low prices thanks to bilateral political-economic agreements.

Two examples: YPF of Argentina purchased in exchange for bonds to mitigate external debt under the pretext of lack of financial capacity. After the purchase, in 1999, in one year, it multiplied its profits by four, which reached 1,150 million euros, 66% coming from YPF.

In 1996, 75% of the shares of the La Pampilla refinery in Peru were sold to Repsol for 180 million dollars when in 1994 it had generated revenues of 657 million.

The environmental impacts of their actions and on indigenous communities are far from their objectives. The continuous denunciations hardly come to light, but they are known. Like the destruction of the Yasuni natural park in the Ecuadorian Amazon of 680,000 hectares, of which one third belong to the Huaorani people; or the Llanquanelo wetland, a natural reserve in Argentina where the oil company wants to drill eight new wells; or the invasion of 18 indigenous territories and 4 natural parks in Bolivia; or the best known that has led the multinational to a lawsuit with the Mapuche people.

The benefits of Repsol in 2019 (Victor Barahona, 2019) were 1,950 million euros. Operating revenues in Europe reached 29,050 million euros; in Latin America only 11,760, which demonstrates how the natural resources of the area serve, in large part, for European consumption.

### **2.2.3 Electricity sector: Endesa**

Endesa is one of the largest electricity companies in Europe and is the leader in the Spanish market and in several Latin American countries. Founded in 1944 as a state-owned company for energy production, it was privatized in 1998. Currently, Endesa serves more than 22 million customers of electricity and gas worldwide, employs more than 27,000 workers and has income in around 18,000 million euros. In the hands of large stock corporations (Cajamadrid, Chase International) is currently its shareholding scrambled after the recent hostile takeover launched by Gas Natural, which, incidentally, is held by Repsol and La Caixa.

During 2019 it had a net profit of 1,379 million euros, increasing 5.1% compared to the previous year. Its presence in Latin America is reflected in the company Endesa Internacional and assumes the management of many companies, mainly Enersis, Endesa Chile and Chilectra (in Chile); Edesur, Costanera, Dock Sud and El Chocón (Argentina); One hundred, Endesa Fortaleza, Ampla and Coelce (Brazil); Emgesa and Codensa (Colombia); or Edegel and Edelnor (Peru). Although the entry of the multinational in the area led to an increase in installed power and the electrification index has also had in recent years its weakness. Thus, the history of Endesa-Spain in Chile begins when it reached a financial agreement with a Chilean group that represents the murkiest interests of the state bureaucracy under the Pinochet military dictatorship. The State alienated public assets and these managers of the state bureaucratic apparatus appeared as the sole beneficiaries in multiple societies where they were responsible for the entire management of the heritage and in turn acquired small packages of shares. The Chilean State, for its part, always intervenes in favor of businessmen and against native peoples (Luis Miguel Uharte Pozas, 2014).

### **2.2.4 Financial sector: BBVA**

In the 1990s, the Spanish banking sector was marked by two trends: the concentration of power and international expansion. The Spanish entities, after a period of mergers and acquisitions, have set up a panorama dominated by two giants: BBVA and BSCH.

At the same time, they began an expansion towards South America looking for new markets with the objective of being able to compete with the big European banks. This strategy was facilitated by the leading elite of Latin American countries. Their role in the economy focused on the financial system and private pensions but their greatest irregularities corresponded to the labor sphere since these banks participated in the social capital of other Spanish multinationals, as we have seen previously.

BBVA is the second Spanish banking entity and last year it gained 2,082 million euros, 25.8% more than in 2019 and only below Santander Bank. That benefit, 1,239 million euros were obtained in its Latin American subsidiaries, 44% of the total. However, its resources and its foundations for Latin America for the past year was 4.9 million euros.



Although the entry of these banks meant an improvement in customer service and the speeding up of their services, the damages caused present a totally negative balance. The entry into the different countries took place through the acquisition of national banks, many of them public, and in the restructuring process those who first paid the costs were the workers. In Peru, for example, 25% of the workforce was laid off, the workday was increased without compensation and trade unionism was weakened.

Although the most bleeding example is that of BBVA in Argentina: the acquisitions of local banks through mergers and OPAS, their emergence in telecommunications, in pension funds, in public services, involved in the arms industry, speculating with the real estate construction, keeping secret the private external debt of the poorest countries to end up denying their squalid savings to small Argentine savers trapped in the 'corralito' (Esteban Garcia-Canal, 2008).

### **2.2.5 Air sector: Iberia**

Latin America is the third pillar that identifies Iberia in the international market, a market that, on the other hand, has monopolized an unprecedented investment effort, introducing 33 direct weekly flights between 1997 and 2001. Iberia was the first company in Spain that bet strong for that market, anticipating the current presence of Spanish companies with interests in the area. Iberia opened the door of the American continent by inaugurating the first regular line between Madrid and Buenos Aires in 1946.

Today, 56 years later, the time taken to cover this route is three times less and the aircraft used by the company can accommodate up to 10 times more passengers.

After Argentina, Iberia continued its expansion by expanding the market. Cuba, Venezuela, Puerto Rico, Mexico and Brazil were gradually joining the Iberia commercial network until now reaching all countries in this area except Bolivia.

After its privatization last year, Iberia has consolidated its objectives on Latin America, becoming an undisputed leader between both continents, with 50% more market share than its immediate follower. The offer in the Latin American network has grown between 1996 and 2001 by 75 percent in seats and 68 percent in flights. Demand has increased by 74 percent and revenues by 123 percent. Iberia flies to 22 destinations on this continent, operating about 300 weekly flights, and with flights in most cases daily to the main capitals. Meanwhile, flights to Central America are made by the company via Miami where it has an authentic distribution and traffic center, known as a hub. A hub that is organized so that, in a short space of time, many departures and arrivals are produced to connect flights from all over Europe to Central American destinations, and vice versa (RANE, 2013).

Two daily frequencies between Madrid and Miami, plus another additional codeshare with American Airlines, handle traffic between both continents. Precisely the fundamental contribution of Iberia to Oneworld, the global air alliance to which it belongs and of which it is a founding member, is the company's presence in Latin America.

With Oneworld Iberia acquired the global reach that, as an independent company, could hardly be achieved. Currently Iberia has bought the airline Air Europe, the only airline that made it competitive towards the South American market, leaving the airline with a market power and influence far superior to its rivals, and establishing in Madrid an international Hub with the capacity to compete with the airports of London and Paris, and being the main gateway for South Americans to Europe, and establishing Madrid as a gateway between Asia, America and Europe (GP Bullhound, 2017).

## **2.3 Policies intervention**

The first and most famous case was the purchase of the Argentine state oil company YPF by Spain's Repsol. The main company in Argentina passed into the hands of the Spanish oil company, which thus ranked among the top ten in the world. Getting to that place in the ranking took less than five months from the first purchase of shares. The acquisition is the most important made by a Spanish company and the largest in local history, so that Repsol absorbed YPF militarized kings and presidents. Juan Carlos King of Spain

was the first to interest Argentina about the operation. He commented with the businessman Santiago Soldati, his fellow student mate in Switzerland. When the YPF co-operation concluded, the king was the first to congratulate Alfonso Cortina, president of Repsol. Spanish President José Aznar supported the multimillion-dollar acquisition. To show his interest he asked Carlos Menem from time to time about the progress of the business. From here, Menem hastened the entry of the Spaniards (Julio Nudler, 1999).

In 2011, the Argentine government of that time nationalized YPF, creating a deep governmental crisis between the Argentine and Spanish government. At that time, Spain threatened Spain to demolish Argentina politically and economically, not only with Spanish power, but with the power of the European Union. At that moment Argentina saw that it was facing Europe in its entirety (due to the clause that exists in the European Union of support between nations, if a country requests it), Argentina was in the middle and softens its position quickly and forcefully. At that time the Latin America was following this case very closely, due to the lifting of many regional governments against Spain.

"If in any part of the world there are gestures of hostility against the interests of Spanish companies, the Government interprets them as hostility to Spain and the Government of Spain, therefore, the Government of Spain does say that if there are such gestures of hostility, they bring consequences." Soria's statement, at that time industry minister of the Spanish government, was recorded in Warsaw, where the minister was on an official trip, and disseminated by the Government's communication services. Although Soria did not mention YPF, it was clear that his words were an in-extremis warning to the Argentine Government after several attempts to convince Fernández not to advance on the oil company failed. "The Government of Spain defends the interests of all Spanish companies that are operating inside and outside Spain," added Soria (la Vanguardia, 2012).

The same happened with Colombia, a traditional ally of Spain whereby an incident by a Spanish company hindered relations for the first time in a long time. In November 2016, Colombia intervened Electricaribe, an electric subsidiary of Gas Natural Fenosa, referring to its poor service to users that it has derived due to the few investments that the company has made to Exercise good service. This episode generated different controversies that made the Colombian government go out to explain that it was not an expropriation: "There was no expropriation here, but a way to guarantee the provision of energy service to the inhabitants of the seven departments of the Caribbean coast", Said the Minister of Commerce, Industry and Tourism, Maria Claudia Lacouture. Despite these statements, the response of the Spanish government was swift, and with the economy minister at the helm, Luis de Guindos, an attempt was made to dissuade the Colombian executive from the intervention advising Colombia that "It will ensure legal certainty and credibility, to take care of the investment because they need it and that this attitude and decision "was not adequate". The Spanish state showed its clear support for the Spanish company in that litigation. The matter did not end there, at that time the influential law firm Cremades & Calvo Sotelo presented to the OECD a report that called into question the legal security for foreign investment in the Andean country, pretending to weaken the position of the Colombian government, knowing the purpose of the country to enter that group, an answering action that Antonio Brufau would later join with statements in the radio channel "La Cope" in which he questioned the legal and investment security of the Colombian country, with a clear sign of trying to press (Europa press, 2017). Given this situation, not only did the president of Colombia mobilize to clarify the tension between the two States, but he also had to intercede with the Colombian ambassador to Spain, Alberto Fumarsky, and meet with large business figures of the Iberian country to convey confidence and reduce tension.(Ramon Muñoz, 2017). Colombia, on the other hand, clarified to the Spanish company that if it wanted to recover its subsidiary, it would have to invest 475 million to avoid new supply problems and internal protests. (Victor Martinez, 2017). The conflict was brought before the International Center for Settlement of Investment Disputes (ICSID) and pending a resolution, however from both executives it would be affirmed that these events would not affect bilateral relations. That threat from Spain served to generate a decline in the Colombian stock market, creating concern in the Colombian government.

Another famous sample of Spanish influence based on their interests was the recent one regarding Venezuela. Currently that country is experiencing a deep crisis both politically and economically. A game show based on interests and without ideologies is the one that Spanish diplomacy is playing there. In the first place, the Venezuelan government in the last twenty years has had a very hostile attitude towards Spain and its companies. A clear example of this is the help that Spain gave the top Venezuelan opponent to the government of Nicolas Maduro. In 2019, this opponent managed to flee the prison where he was imprisoned thanks to the help of his jailers and the country that welcomed him at his embassy in Caracas, both he and his wife and daughter, went to the Spanish embassy, generating a diplomatic conflict between both governments. Days later, the Spanish government, through a secret operation, managed to get the opposition's leader wife and daughter out of their embassy in Caracas, through a private flight to Madrid. The Venezuelan government is almost blocked in the western world and its bank accounts and gold reserves in foreign accounts are frozen (BBC News Mundo, 2020).

However, in November 2019, the United States threatened the Spanish government with economic sanctions for providing financial and logistical assistance to the Venezuelan government through an account in the Bank of Spain, for which the Venezuelan regime would be surviving. At that moment they are all hypotheses, and nobody knows why the Spanish government plays two bands, but the hypothesis that has more strength today, is the intention of Madrid to monopolize all the money that comes from Venezuela, and that can find refuge in their accounts Bank It would be an outflow of financial and human capital to Madrid, generating more wealth to the city (CincoDias, 2019). Although the Venezuelan government has attacked Spain many times, most of its leaders and economic elites have always chosen Madrid as their destination for living and for their investments(Isambard Wilkinson, 2020). This is a clear proof that in South America, the Kingdom of Spain has no ideology, only interests.

The last and most recent case of Spanish intervention has been in December 2019 in Bolivia. The strangest of all, at that time it was the first time that Spain tried to intervene through force. In November 2019, the Bolivian government fell due to a coup, many of its leaders took refuge in the Mexican embassy and others fled the country.

The involvement of Spain in the Bolivian Mexican dispute began with a confusing incident last December. That month, four agents of the Special Operations Group (GEO), an elite unit of the National Police of Spain, were protagonists of a scandal at the entrance of the residence of the Mexican ambassador in La Paz, where the asylees of the Morales government are located.

According to the version of Bolivia, the Spanish policemen sought to remove Bolivian ex-ministers from there, which they described as an "interference in internal affairs" and an act of "interference" (Angel Sastre, 2019).

Spain, on the other hand, alleged that the agents fulfilled their functions within the law and that they had gone to the residence to look for the business manager and the consul who were on a "courtesy visit" at the ambassador's residence Mexican, however Bolivian authorities expelled from the country the Spanish consul in the country as retaliation (Europa Press, 2020).

## **2.4 Current situation and interdependence**

Over the years, Spanish investment in Latin America has acquired billionaire figures. It is the second most important in the world after the United States. Between 1993 and 2020 the gross investment accumulated by Spanish companies there exceeded 225,000 million euros (the equivalent of 20% of national GDP).

Last year 24.4% of the income of the Ibex 35 companies came from Latin America, a very large percentage that, nevertheless, gave a point compared to 2017, according to Banco Sabadell. Although "the exposure of companies has gone less because their initial investment in Latin America was very strong and because markets such as Venezuela and Argentina have plummeted," argues Glen Chapman, director of equity analysis of the financial entity, we must not forget that some Spanish multinationals have the engine of their



benefits in the largest economies in the region. Mexico has contributed 42% of the result to BBVA in the first half, Brazil 29% of Santander's profit, the same country that has fallen more than 30% for Telefónica, which now has its largest profit generator in the domestic market.

The two banks, the telephone operator, Meliá Hotels, Naturgy, Mapfre, Repsol, Iberdrola and Siemens Gamesa are the largest Spanish companies most dependent on the Latin market, in which they have more than 24% of the business. Among the rest of those listed on the Stock Exchange, Prosegur, Sacyr, Duro Felguera, PRISA (editor of EL PAÍS) and Dia supermarkets are the most exposed to the region, from which 61% to 33% of their sales come (Carmen Sánchez-Silva, 2019).

Some of the largest Spanish companies are diversifying into other areas, such as the United States or Asia, says Chapman, which also reduces their dependence on Latin America. ACS is a clear example of this. The company chaired by Florentino Pérez has more than 60% of its business between the United States, Australia and Canada. The region represents 7%. "We entered Chile in the year 2000 and we expanded by other countries, so that, at its peak, Latin America accounted for 20% of the group's income," says Angel García Altozano, corporate general director of the construction company. Now, it generates 2,000 million euros for ACS, but its weight has been diluted in favor of other markets, it continues (Carla Cabello, 2020). Iberdrola also has almost half of its sales between the US and the United Kingdom. Latin America accounts for 24%. The power company arrived earlier in the region, in the nineties, with the first wave of Spanish investors. It went to Chile, Guatemala, Uruguay, Bolivia ... But currently it has decided to change its strategy, to concentrate its activity only around two countries: Mexico and Brazil, which represent 80% of the region's GDP, and where his penetration. The market is very relevant, explains Diego Moron director of relations with investors at Iberdrola. Moron believes that "you do not pay due diligence to your business if you disperse." Those two states are going to take the bulk of the investments planned by the company until 2022. They will be 8,500 million euros and it is very likely that the amount will be revised upwards after the summer, according to the manager (The Economist, 2019).

The theory of leaving non-strategic countries to focus on those who lead is being followed by many companies, says the ICADE professor. This is the case of Telefónica. With an investment that exceeds 140,000 million euros since it landed in Chile in 1989, "there is no other company that has invested so much in the region," said Eduardo Navarro, its director of institutional relations and former CEO in Brazil. Nearly 43% of its income comes from that part of the world, although in 2013 the percentage was 51% (Juan José Haro Seijas, 2020).

## **2.5 Madrid case**

Since Spain entry into the European economic community in 1986, until today, Madrid has become a gateway for Latin American firms to the European financial market. On the Madrid stock exchange, IBEX 35, most large Spanish multinationals with a strong presence in the region are listed, generating that Madrid become a point of reference and common between both hemispheres (Aurora García Ballesteros\*, 2009). However, not only economic matters, but Madrid has also become key in other fields. Latin American immigration to Spain, becoming one of the preferred destinations for Latinos to immigrate, due to the strong linguistic and cultural ties with Spain have created that, for example, the Madrid airport, has also become a giant hub that communicates Europe and America, where millions of passengers and goods pass between both continents. "In 2016, the Spanish government program, ICEX-Invest, launched Rising Startup Spain, an initiative designed to attract international talent and innovative business models to Spain, and position the country as a European hub for technology and innovation. The program offers foreign entrepreneurs an expedited visa, free workspace in Madrid or Barcelona, mentoring and a €10,000 grant. Many Latin American startups have been selected for the program," (Katie Griffin, 2020).

The capital in recent decades, due to instability and the severe economic crisis faced by some countries such as Venezuela and Cuba have generated that large companies and fortunes have found in Madrid a shelter where to hide their money (ICEX, 2021). In the richest neighborhood of Madrid, every year the purchase of mansions and apartments by tycoons from these countries grows more. The first Latin American investors in Madrid's golden mile were Venezuelans, who arrived eight or nine years ago. Motivated by the situation in their country, many were looking for a safe place for their investments. Madrid, according to experts consulted by BBC Mundo, offers some advantages. Their main motivation is the situation of political instability in their country and the financial fear of many families, who prefer to have their capital outside. Also "due to the current scenario of low interest rates and the forecast of recovery in Spain," adds Carlos Zamora, partner and director of residential at Knight Frank (Sandra López Letón, 2021).

The richest in South America are massively buying properties throughout the capital generating a massive movement of economic capital from South America to Madrid. "Investors from Latin America see Spain as the natural springboard to make their investments in Europe, due to cultural and linguistic issues, understanding of the regulatory framework and qualified workforce," says Pablo López Lázaro, head of Citi's Latam Private Bank Spain (El Pais, 2021).

### **3 Conclusions**

The research findings are clear. Spain since the end of the 80's and until today has influenced the politics and economy of Latin America. After a convulsive and difficult twentieth century for Spain, after leaving a civil war and a fascist regime, Spain through its companies managed to influence the region economically, without the need to influence militarily. Spain has managed to influence the region and has taken advantage of its power to make huge profits for its economy. The recent actions in Venezuela and Bolivia, participating directly with its diplomatic force has shown that it has the capacity to influence all areas, including by force if it is necessary, as we have seen. However, this business and government influence is increasingly "interdependent" towards South America, because as I have shown through economic data, most of the income of Spanish multinationals does not come from the national market, but rather they come from the Latin market. Therefore, it is true that Spain obtains great benefits from that area, but it also obtains great concerns when there are political, military or economic problems in each of those countries. The recent crisis in Argentina has cost to some Spanish companies 2000 million dollars in profits, generating extreme concern for that area. Therefore, if Latin America suffers, Spain suffers as well. Previously there was only dominance, now there is competition, therefore right now an interdependence and excessive dependence with Latin America is being created. In summary, we can verify the initial objectives of an economic influence in the 21st century by large Spanish companies, but we can also talk about a decline in that power due to competition in this capitalist world. However, despite the decline in power in that area, Spain has an undeniable influence on the region, both for its elites and for ordinary people. When there is an economic or political crisis in those countries, the capital of the elites of those nations flies to Madrid, it's the case of Venezuela, whose millionaires now own half of the Salamanca District in Madrid, the most aristocratic neighborhood in Madrid. The Spanish capital is the cradle of the rich and poor South American people, as is Paris for west Africa and London for its Commonwealth.

### **4 Declarations**

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#### **4.2 Competing Interests**

The Author declare that there is no conflict of interest to their knowledge that could jeopardize this work.

### 4.3 Publisher's Note

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