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LA RECONQUISTA: SPAIN'S NEW RELATIONSHIP WITH LATIN AMERICA

A leading Colombian magazine has called it “the second Spanish conquest” according to Larry Rohter’s 1998 *NY Times* article. Spain’s influence in Latin America has not been greater since the 16th century. Spanish businesses invested in Latin America at a phenomenal rate during the 1990’s, especially in the fields of telecommunications and banking. A new spirit of capitalism appeared in Latin America, as state owned businesses were privatized and entrepreneurship was encouraged. This was not always the case, as the cultural values of the Spanish conquistadores and early settlers did not encourage individual economic effort and capital development was practically nonexistent. The past decades, however, have seen Spain become one of the most dynamic economies in Europe. This development did not occur without an emphasis on values rewarding individual effort and economic endeavor. Spain’s new business and economic relationships with Latin America are now transmitting these values.

This article focuses on attitudes toward work and economic development brought by the 16th century Spaniards to Latin America and their effect on subsequent economic development. It examines the changes in those values in the 20th century as a result of policies established by Franco and expanded under King Juan Carlos I. These changes have provided a model for economic development in Latin America, which is now indeed in the midst of a “reconquista” only this time one that encourages economic progress.

The conquistadores who landed on the shores of Mexico, Central America, and explored the heartland of Peru not only succeeded in discovering and exploiting the human and natural resources of the new

continent but also succeeded in transmitting the cultural values of their country to the indigenous population. As George Foster writes in his seminal work *Culture and Conquest*, “the “Spanish way of life” was manifest in the character, personality, personal habits and beliefs of the first conquistadores and later the settlers who went to America.”¹ It is not unusual to expect that upon colliding, two cultures would exchange some of the values and mores, but according to Foster “the remarkable thing . . . is not that the indigenous culture played such a role in modifying Spanish culture, but rather that these powerful native influences in the long run have been shaped and controlled by the more powerful Iberian forces.”² Many aspects of Spanish culture were transmitted, from personal mores to farming practices, but what interests us here are the attitudes toward work and productive enterprise that were common among the conquistadores.

The 16th century Spaniards, along with their European contemporaries did not view menial work or even skilled labor as respectable endeavors. Wilhelm Roscher in his analysis of the colonial system provides some indication of the attitudes of the 16th century Spaniards towards work and economic activity. He describes Spanish character as “. . . prone to indolence and pride. All thrifty activity is regarded as despicable.”³ He notes that no trader had ever held a seat on the Cortes of Aragon. In addition, the subject of the essay for a prize awarded by the Academy of Madrid in 1871 was that there was nothing derogatory in the useful arts. As to the attitudes of the population of Spanish America during the ensuing centuries he cites the example of Caracas in the 16th century where everyone wanted to be a gentleman (a monk, priest, military officer, lawyer) or live in idleness.⁴

These attitudes arose from a worldview greatly influenced by the Catholic theology. Henry Wells posits four fundamental values at the core of the Hispanic worldview: fatalism, hierarchy, dignity, and male superiority.⁵ The first two are especially relevant to the discussion here.

¹ Foster, George, *Culture and Conquest: America's Spanish Heritage*, (Chicago: Quadrangle Books, 1960), 2.

²Foster, 4.

³Roscher, Wilhelm, *The Spanish Colonial System*, ed. Edward Gaylord Bourne (reprint G.E. Stechert & Co., 1944), 3.

⁴Roscher, 27.

⁵Lawrence E. Harrison, *Underdevelopment is a State of Mind*, (Lanham, Md.: University Press of America, 1985), 142.

The fatalistic worldview common in 16th century Europe saw the individual as subject to events beyond his or her control—as if in a magical universe. Individuals perceived their life situations as predetermined, therefore, little incentive existed to better one’s economic situation.

This worldview led to a devotion to hierarchy and the notion that one’s position is predetermined, usually by birth and that little may be done to alter it. Spain itself and ultimately the colonies functioned under a tightly controlled hierarchical system from which there was little possibility of escape. Going to the “New World” was an attempt to escape; however the same system was instituted in the colonies under Spanish rule.

These fundamental values supported a fixed system in which entrepreneurial activity was discouraged and all economic activity was ultimately politicized. Spanish economic policy was essentially hostile to individual productive enterprise in several ways: property rights were based on privilege, prices and trade were strictly regulated, competition was discouraged and there was a lack of independent contract law.

Government positions were obtained through privilege and wealth, not merit. These positions could be bought and sold, creating essentially a market in government jobs, and generating wealth for the Spanish government. Trade between Spain and the colonies was strictly regulated. The “Casa de Contratacion,” established in 1571, regulated all aspects of trade, from limits on the number of ships and their cargo to the trade routes themselves. This was accomplished through a “fiel ejecutor” who monitored all aspects of trade in the colonies including price, weight and quality.⁶ The government also sought to abolish competition through the creation of monopolies, which were either run by the government itself, sold or sometimes granted through dispensation to persons of privilege. They included many products: “gold and silver mining, sugarcane production, mercury for use in the silver mines, production of cacao, tobacco, salt and wheat and snow gathering for drinking water.”⁷

These practices did not encourage individual economic activity, in fact quite the opposite. As Roberts and Araujo state so well, “Real entrepreneurs were considered a threat to the entire system. They wanted

⁶Paul Craig Roberts and Karen LaFollette Araujo, *The Capitalist Revolution in Latin America* (Oxford: Oxford University Press, 1997), 149.

⁷Roberts, 144.

strong property rights in order to develop resources and contract in markets—rights that were at odds with the regulatory rights of the privatized public offices.”⁸

With the whole economic system based on these values, it created a negative incentive for individual economic activity. Any move toward entrepreneurial activity, (i.e. the establishment of small “businesses”) was negatively rewarded. This ultimately created what Pike terms the “great chain of dependence.” He defines this as a system in which individuals rely not on themselves but on the welfare mechanisms of the state and church. Individuals are linked to a “patron” (usually someone within the government or the church) who dispenses “mercedes” (special grants). Economic reward is not gained through individual efforts but is bestowed from “above:”

The wealth of the Indies became . . . a providential cornucopia that enabled kings to start unlimited bounty on its way down through all the links of the great chain. In consequence, all society was expected to remain unified in the aristocratic tradition that frowned upon the direct pursuit and production of wealth through individual competitiveness.⁹

The economic energy of individuals therefore was not focused on creating wealth through productive enterprise but on securing privileges and positions from the governmental and ecclesiastical authorities.

These policies continued in one form or another in the former colonies after independence in the 19th century. Spain itself remained closed to the world and did not feel the effects or receive the benefits of the industrial revolution until well into the 20th century. A protectionist economic policy kept away many goods and services as well as the technologies that would have modernized the agricultural society. The Civil War of 1936–39 left the Spanish economy in shambles. Besides the tremendous loss of life (500,000–600,000 people) and its effect on the work force, there was a loss of industrial power. By 1939, “industrial

⁸Roberts, 143.

⁹Frederick B. Pike “Spanish-Latin American Relations: Two Centuries of Divergence and a New Beginning”, in *The Iberian-Latin American Connection* ed. Howard J. Wiarda (Boulder: Westview Press, 1986), 76.

production was down 31%, GNI (Gross National Income) down 25.7% and per capita income down 28.3%.”¹⁰

World War II further crippled the Spanish economy though the country was technically neutral. As a Fascist state, Spain did not receive the benefits of the Marshall Plan and other tools used by other European countries to revitalize their economies at the end of the war. The Franco government initially embarked on an autarkic and interventionist economic policy, which promoted total self-sufficiency and protected the economy from foreign investment or intervention. In this way, the government acted in essentially the same role as the royal government of the conquistadores. It oversaw all economic activity by regulating domestic production, import and export quotas, currency exchange, and land reform through organizations such as the Instituto Nacional de Industria (INI). This organization expanded its power to such a great extent that it “became involved in the entire gamut of economic activity: shipbuilding, automobile manufacturing, steel making, electricity, chemicals, cement, fertilizer.”¹¹ Other European governments were indeed involved in supporting their native industries, but as Carr and Fusi state in their book on Spain’s transitional period what distinguished Spanish economic policy from that of the other European countries was that state control was seen as a permanent solution, not simply a response to the postwar crisis.

By the mid 1950’s the economy was in such severe crisis that Franco was forced to abandon these policies. In 1957 a group of economists, members of the Catholic organization Opus Dei, took the reigns of Spanish economic policy. In fact, Franco’s directive was reported as “Hagan lo que les de la gana” or “Do whatever you wish.” The idiomatic translation may be more revealing “Do whatever you damn well feel like doing.”¹² The basic tenets of the 1959 Stabilization Plan were to open Spain to foreign trade and investment, limit credit, and devalue the currency. As Carr states “decree by decree Spain was to be turned into a capitalist market economy by a government in close contact with the major Spanish economic and financial interests.”¹³ The immediate

¹⁰E. Ramon Arango, *Spain From Repression to Renewal* (Boulder: Westview Press, 1985), 191.

¹¹Arango, 192

¹²Arango, 194.

¹³Carr, 54.

consequences of these policies were economic recession and increased unemployment.

Despite the initial shock, these new policies slowly began to bring Spain out of its economic slump. Between 1960 and 1970, Spain's GDP increased an astonishing 7.5% per year and per capita income rose from \$300 to \$1,500¹⁴ (a 60% increase). The period from 1975 to 2000 saw another 60% increase.¹⁵ Major growth took place in new industries—metallurgy, chemicals, and food processing.¹⁶ This dramatic growth resulted in Spain's exports of industrial goods being greater than the traditional exports of agricultural products and minerals. The service sector also expanded with increased tourism. Entry into the European Union in 1986 further spurred economic development.

As the economic recovery proceeded into the 1980's and 1990's, Spanish companies and investors began to look towards Latin America again, resurrecting a vision from the 19th century. The idea of "Hispanidad," the community of nations created by the cultural and spiritual ties between Spain and Latin America, actually arose with the author Ganivet first using the term in 1897.¹⁷

Franco himself seemed to subscribe to the vision of a community of Hispanic nations with Spain as its model. He is quoted in 1970 as saying: "To you, Americans of historic ancestry, there is no greater pride that being partakers of the same historical tradition and brothers of people such as the Spanish should have been capable of reemerging from their ashes in the last years and who now contemplate you with enthusiasm, hope, and love."¹⁸

King Juan Carlos I has also championed the idea of a Hispanic community of nations:

Spain, a radically European nation, is transeuropean.

Since her birth as a nation-state she has projected her-Self beyond our continent: she is an Hispanic nation, one of the

¹⁴Carr, 59.

¹⁵Stephen Hugh-Jones, "A Country of Many Faces" *The Economist*, November 25, 2000, 5.

¹⁶Carr, 56.

¹⁷Maria A. Escudero, "Hispanist Democratic Thought versus Hispanist Thought of the Franco Era: A Comparative Analysis" in *Bridging the Atlantic* ed. Marina Perez de Mendiola (Albany: State University of New York Press, 1996), 171.

¹⁸Escudero, 180.

members—certainly the original and oldest of a community of independent Hispanic nations.¹⁹

In a speech welcoming Mexican President Lopez Portillo, the King held up Spain as a model of economic success for Latin America to follow. He stated that, “What is most novel as a new era in relations begins to unfold is the image that Spain can now present to Latin America of practical economic success . . . (that would enable his country to undertake a) . . . secular American mission of economic and technological cooperation.”²⁰

Indeed the 1970’s, 1980’s, and 1990’s brought increased commerce between Spain and its former colonies. As Gina Gianzero so aptly put it in her article in *Europe*, “the joint venture, the merger-acquisition, and the strategic plan have replaced the sword and the cross as Spain once again looks to its former colonies as a font of wealth.”²¹ Manuel Zubina, head of Banco Bilbao Vizcaya’s Miami office sees Latin America as a natural market. “The historical and language ties attract us.”²² Ian M. Reid, head of mergers and acquisitions for Morgan Stanley is quoted as saying “Spanish companies clearly believe that Latin America represents a tremendous opportunity for growth.”²³

Spanish firms entered Latin America at a phenomenal rate during the 1990’s, especially in the areas of telecommunications, transportation, tourism, and finance. According to the *Financial Times*, “Spain has become the largest investor in Latin America over recent years with foreign purchases by Spanish concerns more than tripling in value in 1996 to \$6.3 billion.”²⁴ By 2000, Spanish companies had accomplished more than one fifth of the region’s top mergers and acquisitions.

In the telecommunications field, Telefonica Internacional, an affiliate of Telefonica de Espana, has been one of the most aggressive firms. The company has invested in the national phone companies of six countries in the region: Argentina, Chile, Venezuela, Colombia, Puerto Rico, and

¹⁹Escudero, 169.

²⁰Pike, 88

²¹Gina Gianzero, “Spain Rediscovered the New World” in *Europe*, November 1994, 341.

²²Victoria Griffith, “Atlantic crossing: Spain’s interest is piqued, but the waters are rough”, in *Latin Finance*, September 1994, 52.

²³Mike Zellner and Raymond Colitt, “The Spanish Acquisition” *Latin Trade*, April 2001, 40.

²⁴David White, “Return of the conqueror” in *The Financial Times*, March 5, 1997, 25.

Peru. More than 90% of its income is derived from its Latin American operations.²⁵ During the late 1990's, the company traded its stock for the remaining shares it did not own in these companies.

Spanish hotel chains also embarked on a large expansion operation involving Latin America, with Grupo Sol, Spain's largest hotel chain, involved in a billion-dollar investment plan, concentrated primarily in Mexico and Cuba.²⁶

The finance industry, has been by far the leader with "30.2% of Spanish-Latin American mergers and acquisitions in this sector during 1997."²⁷ This continued throughout the late 1990's with Grupo Santander's total investment in Latin America estimated at more than \$4 billion and Banco Bilbao Vizcaya's (now Banco Bilbao Viscaya Argentaria) at more than \$3.79 billion in 1997."²⁸ BBVA also completed one of the largest bank acquisitions in Mexico, acquiring Grupo Financiero Bancomer for \$1.8 billion US.

Spain brought a tradition of a politicized economy to the colonies in the 16th century. Profit making opportunities were allocated through the political process creating a centralized and restricted economy. Individual ingenuity and effort were not rewarded as position and advancement were based on privilege, and a strict hierarchical structure predominated. However, from the 1950's on, Spanish economic policies succeeded in changing the Spanish economic culture to a more open one, embracing private enterprise.

Latin American governments are now following many of the changes that transformed the Spanish economy. The economic policies conducive to growth, pursued by the Spaniards since the 1950's, are now being exported through this new economic intercourse. Today, labor and entrepreneurship are rewarded as privatization of the profit making institutions in Latin America continues. Individual participation in the economic activity of Latin countries can be seen through increasing stock market capitalization. Protectionism and the autarkic philosophy prevalent from colonial times until the mid 20th century have been abandoned, and the reduction of tariff barriers and liberalization of trade

²⁵Gianzero, 341.

²⁶Gianzero, 341.

²⁷ *Acquisition Monthly*, April 1998, 70.

²⁸"Latin Exposure Bedevils Banks in Spain", *The Wall Street Journal*, September 29, 1998.

restrictions have increased the flow of materials and ideas. Increased attention to the protection of property rights has also provided increased incentive for economic activity, as individuals benefit from their activity, as opposed to the government.

As to the effect of Spain's new economic culture on the countries of Latin America and how Spain will deal with this relationship, Frederick Pike presents a choice. He asks whether Spain will "join in the chorus of Latin American mendicants intent upon extracting more from the developed world so they may continue in the culture that imperial Spain helped them shape or will Spain admonish the mendicants to acquire, as it has begun to do since the civil war, the character traits and skills that can contribute to a more self-reliant type of productivity?"²⁹

Latin American governments have begun to realize the futility of the former and the Spanish companies that are investing in Latin America have a vested interest in the latter. The majority of Spanish-Latin American commerce involves joint venture or the acquisition of a Latin American company, which necessitates an interest in that company's success. To ensure good results, the values, character traits, skills, and policies successful in Spain for the past forty years must accompany the financial investment.

Spain's "reconquest" of Latin America is being accomplished as a result of a system that encourages profitable economic activity. The values brought in the 16th century that left Latin America in economic peril are being replaced. King Juan Carlos I spoke of Spain as a model. With these new economic interactions, Spain models values and practices that led to its economic success for its former colonies. This conquest, one of economic cooperation, will have far different results and lead to greater prosperity for Latin America.

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²⁹Pike, 92.

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