Multinational Banking and the New Spanish Armada: An Inter-Temporal Co-Evolutionary Approach

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Abstract

Spanish banks, Group Santander and Banco Bilbao Vizcaya Argentaria (BBVA) are becoming the new Spanish armada. These two banks are transforming themselves into large, efficient, and very profitable financial institutions across the globe. A host of internal factors in the 1980s, as well as external ones in the 1990s gave Spain a platform to engage in multinational banking activities parallel and supportive of foreign direct investment (FDI).

This paper explains the rise of Spanish banks qua multinationals in the global financial scene from its beginning in the early 1990s, accelerating in the latter part of the decade and early 2000s, within an inter-temporal co-evolutionary systems theory approach focusing on the micro-economic level strategic behavior of Spanish banks, while examining the macro-institutional and meso-level of the banking sector in which decisive national structural and industry qualitative changes have taken place and can be observed motivating domestic banks to expand overseas and to engage in asset exploiting while seeking more profitable markets.

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I. INTRODUCTION

Fueled by a decade long of economic growth at home and years of experience in Latin America, Spanish banks are pushing into new markets in Europe and the United States. Spain’s two main retail banks, Group Santander and Banco Bilbao Vizcaya Argentaria (BBVA) are becoming the new Spanish armada. These two banks are transforming themselves into large, efficient, and very profitable financial institutions across the globe. The purpose of this paper is to explain the rise of Spanish banks qua multinationals in the global financial scene from its beginning in the early 1990s, accelerating in the latter part of the decade and early 2000s, within an inter-temporal co-evolutionary systems theory approach focusing on the micro-economic level strategic behavior of Spanish banks, while examining the macro-institutional and meso-level of the banking sector in which decisive national structural and industry qualitative changes have taken place and can be observed motivating domestic banks to expand overseas and to engage in asset exploiting while seeking more profitable markets. In other words, a comprehensive understanding of the Spanish banking sector and the rise of its new financial armada, lead by Group Santander and BBVA, has to consider the co-evolutionary institutional processes leading to the transformation of the Spanish economy, its financial sector and the rise of Spanish multinational banking in Latin America and the United States.

A host of internal factors in the 1980s, as well as external ones in the 1990s gave Spain a platform to engage in multinational banking activities parallel and supportive of foreign direct investment (FDI). Since 1992, Spanish firms in telecommunications, energy, retail, and banking, became major competitors in the world stage, especially Latin America. The Spanish integration to the European Union (EU) and the institutional and
structural changes of the banking sector set up a transformational process of Spanish financial institutions to engage in multinational banking. The macro-structural changes of the Spanish economy, the meso-level changes of the banking sector, and the micro-strategic policy and dynamic comparative advantage of Group Santander and BBVA, prompted the Latin American advances of the new Spanish banking armada.

Section II reviews the Spanish macro-structural changes in terms of European integration and foreign competition and examines the privatization and deregulation of the banking industry and the breakdown of its oligopolistic milieu. Section III reviews the multinational banking theory and presents evidence of the international strategic behavior of the Spanish reconquista of Latin American financial markets and most recently of the Hispanic U.S. market. Section V provides some concluding remarks and recommendations.

II. AN EVOLUTIONARY SYSTEMS APPROACH TO SPANISH MULTINATIONAL BANKING

The success of Spain’s financial power and its Latin American dominance in banking that occurred in the past ten years has caught the financial establishment by surprise. Suddenly, the list of the world’s twenty largest banks ranked in terms of market capitalization finds two Spanish banks. Group Santander ranks number eight above Japanese bank Mitsubishi UFJ Financial, and BBVA number eighteen just below the banking powerhouse Credit Suisse from Switzerland (Cohen and Kahn 2007).

This development has surprised many among foreign competitors, particularly their European counterparts. It is being compared to the Spanish galleons competing against the English in the sixteenth century. Both banks have become two of the largest banks in Europe, now larger than German, French, and Dutch financial institutions. American
competitors are also watching their strategic plans in the Americas. The Spanish armada is experiencing a new age of glory in the new continent where they already are the two largest banks in Latin America, and they have their sights in the U.S. market. Sailing from the Spanish Atlantic coast, these two banks have developed international expansion strategies in the old and new continents to counteract the saturation of the domestic market. The new Spanish banking armada is becoming an important player in global financial markets.

The factors of the sudden rise of Spanish banks in the world stage lie at the firm (micro) level, as well as at the macro-structural and industry (meso) level. Spain’s multinational banking success is an institutional phenomenon associated with the integration of Spain to Europe associated with the catch-up economic process of Spain’s post Franco-dictatorial regime.

Spain’s banking sector was simply isolated from domestic and foreign competition up until the mid to late 1980s. The sector was highly cartelized leading banks to focus on extracting rents from the home market thanks in part to Spain’s integration to the European Union in 1986 and the first construction boom. The second construction boom of the mid 1990s increased the profits of Spanish banks and led the economy on a decade-long expansion with growth rates more than double the euro-zone average.

Today, Spain is the world’s ninth largest economy, thanks in part to the building bonanza of the past twenty years leaving the country with a new transportation infrastructure of highways, railroads, and modern airports, in addition of new housing projects and massive public-works projects.
In summary, the factors underlying the international growth of Spanish banks have been determined by a co-evolutionary transformation of Spain’s economy at the macro-institutional level during the late 1970s and early 1980s, the Spanish banking sector at the meso-level in the 1980s and 1990s, and more fundamentally Spain’s banks foreign strategy at the micro-level since the mid 1990s.

2.1. Macro-evolutionary transformation and EU integration

Spain’s macroeconomic institutional reforms since the end of Franco’s regime in 1975 and the country’s economic integration period, jointly with the re-structuring and privatization of its financial sector, and the banks’ global strategy propelled Group Santander and BBVA’s Latin American banking strategy of asset exploiting, asset seeking, and oligopolistic behavior.

Thirty years ago, Spain was an economic minnow still emerging from almost 40 years under Francoism. It had no global companies or much international business experience. With one of the lowest per-capita incomes in Western Europe, the nation’s economic catch-up path was to start building. The first building boom allowed the Spanish economy to grow at a faster pace than the rest of Europe until the end of it in 1992 throwing Spain into a recession with 25% unemployment. The fortunes of Spanish banks fell as well, as loan defaults piled up from mostly Spanish customers. A second building boom got underway in the mid 1990s, and Spain enjoyed an even bigger construction cycle that kept the economy on a decade-long expansion. Spain’s economy grew 3.6% on average per year, compared to 1.5% for the EU during that period.

Today, Group Santander and BBVA have operations reaching from Latin America to the U.S. and England, and less than 20% of their loans are in Spanish hands. The
diversification of these two banks mirrors the evolutionary process that has taken place across Spain's economic landscape, as small, medium, and large corporations used the second building boom to catapult themselves into the world stage.

Banks that financed the economic boom used it as a stepping-stone to hedge their risk by diversifying geographically. Banks’ profits soared, as they grew rich financing mortgages and consumer credit funneling these earnings into a wave of international expansion. For example, BBVA used the first building boom to diversify into Latin America, and it has used the second building boom to solidify its presence in Mexico, as well as expanding into the U.S Hispanic market.

Since the 1980s, Spain and its corporate landscape underwent an extraordinary transformation from decades of international isolation, backwardness, and dictatorship to deregulation privatization, enhanced competition and increasing exposure of imports and inward foreign direct investment. Spain took a giant step in its catch-up development process during the 1986 to 1992 period with EU membership and the inward FDI boom. Many public projects such as highways, bridges were co-financed by EU subsidies fueling an even bigger boom in construction. Furthermore, foreign multinationals invested heavily in Spain taking advantage of cheap labor and strategic location. The building boom reached its pinnacle in 1992 with the hosting of the summer Olympics in Barcelona.

Mergers, deregulation, and privatization of key Spanish industries and companies were also a part of the catch-up developmental and evolutionary economic process to compete outside Spanish borders. In the 1980s and early 1990s, the Socialist government was instrumental in the mergers of state-owned and private corporations in industries such as
oil, gas, electricity, and banking, creating the first Spanish multinationals. In the mid
1990s, the Popular Party implemented perhaps the largest privatization efforts Europe
had ever experienced. In many instances, Spanish financial institutions were given a so-
called “institutional stake” to guarantee Spanish control of operations.

Guillen (2005) explains the 1995 Spanish law for privatized companies to engage in
strategic decisions requiring by decree “prior administrative approval.” That is why the
newly formed companies, known as national champions, engaged in a wave of foreign
expansion first in Latin America following this transformational corporate ownership
relative to mergers, restructuring and privatizations. The Spanish banking armada started
taking shape as the financial oligopolistic sector experienced its own co-evolutionary
transformation as explained in the section below.

2.2. Banking restructuring, privatization, and industry consolidation

The Banking Act of 1921 established the Bank of Spain as the real central bank of the
country. The central bank’s supervision of other banks and financial institutions was a
classic example of favor exchanging where the central bank allowed a banking cartel to
enjoy huge profits while the regulated banks agreed to the Bank of Spain wishes. The
banking law of 1940 made it very difficult for banks to grow domestically unless through
mergers and acquisitions.

In the early 1960s, commercial banks were allowed to have part ownership of industrial
corporations. The sector was comprised of the “Big Seven”, Banesto, Banco Central,
Banco Hispano Americano, Banco de Vizcaya, Banco de Bilbao, Banco Central, Banco
Santander, and Banco Popular. This was the most protected and regulated sector in the
world, it was truly a domestic cartel or some referred to it as banking on privilege (Perez 1997).

In the early 1990s, the financial landscape of the country began to evolve as European banks started offering new and innovative products to Spanish consumers and began acquiring small domestic banks. A wave of mergers and industry consolidation took place as early as 1988 and lasting over a decade. The Big Seven became the Big Four to able to compete against the likes of American, English, and German banks, Citibank, Barclays, and Deutsche Bank.

Banco Bilbao and Banco Vizcaya merged in 1988 forming Banco Bilbao Vizcaya (BBV). Banco Central and Banco Hispano Americano joined forces in 1991 forming Banco Central Hispano (BCH). At the same time, the government merged the state-banks into a mega-bank called Argentaria. In 1994, Banco Santander acquired almost 50% of Banesto. Santander gained momentum as the largest bank in Spain and in 2000 merged with BCH forming Banco Santander Central Hispano (BSCH), now known as Group Santander. Finally, BBV merged with Argentaria forming Banco Bilbao Vizcaya Argentaria (BBVA). The Big Seven became the Big Two, Group Santander and BBVA, the two known as the Spanish banking armada\(^1\) (Guillen 2005).

III. MULTINATIONAL BANKING THEORY AND THE SPANISH RECONQUISTA\(^2\)

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\(^1\) Banco Santander was founded in 1857 on the Spanish Atlantic coast, specializing at first in Spanish-American trade flowing through the northern port of the city of Santander. Banco Bilbao was founded in 1856 as an issuing bank and discount bank becoming the key financier for the development of the steel industry in the Basque region. Banco Vizcaya was founded also in Bilbao in 1901 with an international trading focus. Both Group Santander and BBVA found their roots in two Atlantic international port cities (Guillen and Tschoegl 2000).

\(^2\) This section presents a brief literature review of microeconomic strategic behavior and multinational banking from a comparative advantage, efficiency, and diversification view in terms of follow the client and defensive strategic reaction, innovative products and better technology, common origin and social proximity, and internalization and distribution channels.
Knickerbocker (1973) presented the hypothesis of a firm’s internationalization strategic behavior on the basis of oligopolistic reaction. Hymer (1976) introduced the concept of foreign direct investment and the strategic behavior of domestic firms investing abroad and taking advantage of market imperfections, and Dunning (1977) put forth the eclectic paradigm of international production and multinational corporations.

Grubel (1977) followed with asking about the sources of advantage allowing banks to enter foreign markets and introduced the concept of multinational banking and foreign direct investment from a follow the customer perspective. Gray and Gray (1981) applied the theory of the multinational corporation to the banking sector, thus developing a theory of multinational banking (MNB). Grubel (1977) and Gray and Gray (1981) adopted Dunning’s eclectic paradigm as the theoretical framework to explain a firm’s decision to engage in foreign direct investment (FDI). Thus, a corporation’s ownership advantage allows foreign banks to compete against domestic financial institutions. Cho (1986) emphasized the bank’s experience in multinational operations and product differentiation as main sources of ownership-specific advantages.

Ball and Tschoegl (1982) first modeled a bank’s decision to invest overseas showing FDI in banking was subject by bank size, international experience, and distance. Tschoegl (1987) concludes retail banking did not lend itself to FDI, except where in countries where domestic banks were not competitive and also in fast growing markets, ethnic banking aside. Moreover, Grosse and Goldberg (1991), Buch (2000), and Focarelli and Pozzolo (2001) look at information costs and the inverse relationship

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3 Williams (1997) looked at an appropriate paradigm to consider a bank’s motivation to enter new markets and their subsequent performance. He concluded internalization theory provided a greater internal consistent framework for multinational banking theory. Buckley and Casson (1991) focused on the internalization theory stressing the role of multinational corporations and the cost of market imperfections.
between geographic distance and FDI in banking. In other words, they found distance does matter when engaging in multinational banking.

Galindo et al. (2003) find social proximity including common colonial links, language, and legal origin, are significant factors in determining where banks expand abroad. Common origin; political and regulatory, linguistic, and or social, reduces operating costs abroad while facilitating the exploitation of efficiencies as well as, increasing the firm’s ownership-specific advantage. The authors argue that Spanish banks have an ownership-specific advantage for dealing with regulations and procedures derived from the Napoleonic Commercial Code in Latin American countries that have the same or similar legal tradition. Moreover, they also have a linguistic advantage, which is very important in dealing with customers in retail banking. Hence, the Spanish armada truly has a comparative advantage over foreign banks entering any Spanish speaking area.

Guillen and Tschoegl (2000) also point out the importance of common origin and cultural proximity to gain efficiencies and reduce cost and follow the competition to exploit market imperfections supported by the evidence of the internationalization of Spanish retail banks in Latin America.

Soussa (2004) explains the importance of geographic diversification and efficiencies as institution-specific factors to minimize risk and gain economies of scale and scope within the banking sector. Group Santander and BBVA’s main motivation for expansion to Latin America was to capitalize on geographic diversification and reap scale and scope economies as European banking competition intensified.

Tschoegl (1983) and Sabi (1988) explain that size depends on the type of activity a foreign bank engages in the domestic market. Spanish banks developed a strategic plan
to gain in size, increase the degree of internationalization and expand product and
distribution channels in order to reduce transactions costs. Garcia-Herrero and Navia
(2003) support the idea of lower transaction costs where foreign banks have similar
cultures and same language with the host nation due to the fact that the product offering
will require no or very little change.

Guillen and Tschoegl (2000) discuss that market saturation and increased competition
led the Spanish armada to follow an asset-seeking strategy in Latin America. Calderon
and Casilda (1999) also conclude the Spanish banking asset-seeking strategy was to
exploit profits in the region, as well as, to become larger to avoid being acquired by
European financial institutions.

These strands of multinational banking theory and microeconomic strategic behavior,
from an ownership-specific advantage, efficiency, and diversification perspective in
terms of follow the client and defensive strategic reaction, innovative products and better
technology, common origin and social proximity, and internalization and distribution
channels, seem to fit the evidence of the internationalization strategy of Group Santander
and BBVA in Latin America, and the recent strategy adopted by BBVA in the United
States. In other words, the Spanish banking armada and the reconquista of the Latin
American market can be summarized as asset seeking, asset exploiting, and oligopolistic
strategic behavior driven.

BBVA’s new North American strategy is poised to reap the benefits of asset seeking
and exploiting of the Hispanic market in the United States based on innovative products
and money transfer services, brand recognition and distribution networks, and cultural
proximity.
3.1. The Spanish banking armada and Latin America

Group Santander and BBVA’s developed an international retail banking expansion strategy in Latin America starting in the mid 1990s, until then their involvement in the region was merely limited to corporate banking. The liberalization of Latin American financial markets accelerated in the 1990s through banking privatization and consolidation, foreign-owned bank participation, and strengthening of banking regulations and supervision.

Spanish banks seemed to be the only banks ready to take advantage of the opening of Latin American financial markets. The Spanish banking sector had undergone a process of liberalization, deregulation, and consolidation a decade earlier (described in the previous section); thus, they were ready to exploit their newly acquired ownership-specific advantage (in terms of navigating through the high-seas of financial liberalization and government re-structuring) and their old ownership-specific advantage (in terms of common origin and language), while exploiting new growth opportunities. These forces have led foreign financial institutions to account in some Latin American countries for 50 percent or more of total financial assets: Argentina, 58 percent, Chile, 66 percent, Mexico, 88 percent, and Brazil 18 percent (Crystal et al. 2002).

According to Soussa (2004), Spain held a high concentration in bank FDI stock in the Latin American region with 36 percent in Brazil, 26 percent in Mexico, 17 percent in Argentina, 10 percent in Chile, 5 percent in Colombia, and 6 percent in other nations.

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4 This section focuses mainly on the international expansion strategy of BBVA in Latin America since 1995. Group Santander entered Chile first, Mexico second, Argentina, Colombia and Venezuela next, and Brazil last. The Group also has a presence in smaller Latin American markets. BBVA has a presence in Mexico, Argentina, Chile, Colombia, Panama, Paraguay, Peru, Uruguay, and Venezuela.
Moreover, the Spanish banking armada held 91 percent of bank FDI in Chile, 66 percent in Mexico, 65 percent in Argentina, and 58 percent in Brazil.

In short, the Spanish banking armada began its *re-conquista* of Latin America some 500 years later, and now control more than 50 percent of foreign assets in some countries. Group Santander and BBVA continue to have their two largest overseas investments in Latin America, Group Santander in Brazil and BBVA in Mexico.

The Latin American expansion has brought an added ownership-specific advantage to the banks in terms of managerial know-how integrating foreign acquisitions and management information systems, streamlining back-office operations, and developing branding, marketing skills, and distribution networks (Guillen 2005) (See Table 3.1 below).

### TABLE 3.1. Banco Bilbao Vizcaya Argentaria: Latin American Expansion

<table>
<thead>
<tr>
<th>Year</th>
<th>Investment</th>
</tr>
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</table>
| 1995 | Probursa, Mexico (66%, merged with Bancomer 2002)  
      | Continental, Peru (50%, joint venture) |
| 1996 | Bancos Cremi y Oriente, Mexico (100%)  
      | Banco Frances, Argentina (30%, 76% as of June 2006)  
      | Banco Ganadero, Colombia (40%, 95% as of June 2006) |
| 1997 | Banco Provincial, Venezuela (40%, 53% as of June 2006) |
| 1998 | Banco BHIF, Chile (44%, 68% as of June 2006)  
      | Poncebank, Puerto Rico (100%)  
      | Banco Excel, Brazil (100%, merged with Bradesco in 2002) |
| 1999 | Consolidar, Argentina (100%)  
      | Provida, Chile (43%, 67% as of June 2006) |
| 2000 | Bancomer, Mexico (40%, 100% as of June 2006) |
| 2002 | Bradesco, Brazil (5%) |
| 2004 | Hipotecaria Nacional, Mexico (100%)  
      | Bancomer (minority stake acquisition) |
| 2005 | Granahorrar, Colombia (100%) |
| 2006 | Forum Servicios Financieros, Chile (51%, joint venture) |

BBVA’s unit in Mexico is becoming a springboard to develop operations in the fast growing and lucrative U.S. Hispanic market, focusing first on remittances, and money transfers. Bancomer’s growth in Mexico is driving BBVA’s expansion in the U.S.\footnote{House (2005) writes BBVA has invested more than $8 billion in the past decade building its Mexican presence. Bancomer, a unit of BBVA, is the largest financial institution in Mexico controlling about 30% of banking services and 40% of remittances and money transfers received from the U.S.} BBVA’s strategy is to build relationships with remittance senders in order to ‘bancarize’, bringing the U.S. Hispanic population to the formal financial sector, to later sell them services such as bank accounts and credit cards.

The Hispanic population continues to grow at a fast pace. The U.S. census Bureau predicts more than 100 million Hispanics will reside in the U.S. by 2050, representing 25 percent of the U.S. population, up from 13 percent in 2000\footnote{According to the Pew Hispanic Center, about 65% of Hispanics have bank accounts in the United States.} (House 2005).

In other words, BBVA seems poised to begin its re-conquista efforts in the United States leveraging its Mexican assets to exploit the more than 44 million American Hispanics, Latin American immigrants and their $500 billion purchasing power, with its newly acquired Mexican ownership-specific advantage.

3.2. BBVA, United States, Hispanic market, and remittances

Spanish banks are emerging as mergers and acquisitions tycoons in recent times. Latin American deals have served them well as training ground for their conquests around the world, particularly the United States. The Spanish banking armada is pushing ahead into one of the most competitive financial markets in the world, the United States. BBVA leading such charge and its voracious appetite for the US Hispanic market reflects the company’s rising economic clout in the financial world\footnote{Johnson (2006) reports that as the euro continues to appreciate against the US dollar and European protectionism continues to increase, conditions seem best for further mergers and acquisitions in the United States. In 1991, Group Santander bought a 13 % stake in First Fidelity Bank in New Jersey, later selling it.
BBVA closed some banking deals in California and Texas in 2006 signaling its plans to enter the US retail banking sector, and most recently it acquired Compass Bank of Alabama strengthening its position in the so-called Sunbelt region. BBVA and others simply would not be what they are today without the Latin American investments of the mid 1990s. A decade later, Spanish executives have gained experience managing takeovers, foreign operations, and turning inefficient operations into profitable ventures. Indeed, Latin America was the platform needed to jump into some of the most competitive financial markets in the world, Europe and now the United States (see Table 3.2. below).

<table>
<thead>
<tr>
<th>Year</th>
<th>Acquisition</th>
<th>Location</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>2004</td>
<td>Valley Bank, California, USA</td>
<td>(100%)</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>Laredo National Bancshares, Texas, USA</td>
<td>(100%)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Texas Regional Bancshares, Texas, USA</td>
<td>(100%)</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>State National Bancshares, Texas, USA</td>
<td>(100%)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Compass Bancshares, Alabama, USA</td>
<td>(100%)</td>
<td></td>
</tr>
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In 2004, BBVA spent less than $20 million to acquire a California lender, changing its name to BBVA Bancomer to target Mexican immigrants who send remittances home and to boost its brand in the US\(^8\). In 2006, BBVA acquired Laredo National Bancshares and in 1996. In 2005, Group Santander moved to the Northeastern part of the US by acquiring a 25% stake in Sovereign Bancorp.

\(^8\) California, is the largest U.S. Hispanic market, home to more than 13 million people of Hispanic origin, almost 6 million Latin American country born adults, whom 63% sent over $13.2 billion in remittances to their respective countries in 2006, a 34% increase from 2004 (IDB 2006).
Texas Regional Bancshares for a combined investment of more than $3 billion\(^9\). Most recently in 2007, BBVA acquired Compass bank in Alabama for its extensive network of branches throughout the Sunbelt and Western states for $9.6 billion\(^{10}\). The Spanish bank has already invested more than $12 billion in three years to build its presence in the U.S. Hispanic market. The bank built its presence in Mexico in the 1990s and now is ready to exploit its ownership-specific advantages in the U.S remittance market, while having such advantage against larger U.S. banks. Jordan (2006) reports U.S. Latin American migrants sent more than $50 billion to their respective countries, about $20 billion went to Mexico, $12 billion to Central America and the Dominican Republic and the rest to South America.

The United States is becoming a key market for BBVA, the BBVA Bancomer Mexican franchise continues to act as a gateway to the U.S. market, in which the bank has defined three main areas of business, money remittances and related products through Bancomer Transfer Services (BTS), core products and services for migrant workers through BBVA Bancomer California, and general banking products and services for the Texas market through Laredo National Bank, Texas State Bank, and State National Bank (BBVA 2007). The acquisition of Compass Bank in Alabama will enhance its US strategy throughout the Sunbelt region.

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\(^9\) Texas, is the second largest U.S. Hispanic market, giving BBVA a strong presence along the Texas-Mexico border (nearly 40% of the $300 billion plus in trade between the United States and Mexico passes through Laredo, Texas). The state has almost 3 million Latin American country born adults, whom 47% sent over $5.2 billion in remittances in 2006, a 64% increase from 2004 (IDB 2006).

\(^{10}\) These states include Alabama, Arizona, Colorado, Florida, New Mexico, and Texas. BBVA may link up its new presence with its Bancomer unit in Mexico, to make a full attack on the $53-55 billion U.S. remittance market to Latin American nations. The six states, excluding Texas, have a combined 1.8 million Latin American country born adults, whom 64% sent $5.7 billion in remittances in 2006, a combined 96% increase from 2004 (IDB 2006).
Group Santander took the first steps to venture across the Atlantic 500 years after Christopher Columbus arrived to the new world in 1492. Soon after, BBVA followed Santander’s lead to Latin America, and ten years later; BBVA is the largest bank in Mexico and has a strong presence in other nine Latin American nations. The Spanish armada has taken different strategies to enter the United States; Group Santander has made acquisitions in the Northeast region, while BBVA has targeted the U.S. Hispanic population in California, Texas, the Sunbelt, and other Western states. BBVA seems poised to experience a new age of glory in the new world, this time in the United States.

In short, Spanishness is experiencing explosive growth in the United States. The Hispanic community is the largest minority in the US with more than 44 million people. BBVA is evolving from a multinational bank to a global banking powerhouse.

IV.  CONCLUDING REMARKS

The preceding analysis provides a basic framework that captures the Spanish phenomenon of multinational banking as an inter-temporal, co-evolutionary, and institutional process, a process of Spain’s post Francoism economic integration to Europe and structural upgrading, where multinational banking has emerged as an asset-seeking and exploiting of growth markets in the Americas, as well as oligopolistic behavior.

Throughout the post-Francoism period of two and half decades, Spain concentrated on European integration and competition, banking restructuring, privatization, and industry consolidation, as well as, the creation of national champions, leading to the first wave of banking FDI in Latin America starting in the 1990s. It was Spanish banks’ ownership-specific advantage in terms of common origin and language, as well as, their prior
experience of banking deregulation, privatization, and consolidation that created a perfect match between Spain and Latin America’s financial sectors.

Furthermore, BBVA’s strategic behavior in the Mexican market led to the second wave of banking FDI in the United States beginning in the mid 2000s. The Mexican strategy created another ownership-specific advantage in terms money transfers and remittances, branding and distribution networks, and cultural proximity to enter the Hispanic US market. The distinctive features of Spain’s banking armada led by Group Santnder in Latin America and by BBVA in the United States, Spain’s EU economic integration and new competitive pressures, Spain’s banking sector restructuring and consolidation, Latin America’s banking deregulation and openness to foreign capital, and the Spanish armada’s success in Latin America and Mexico, can only be understood within this inter-temporal and co-evolutionary approach developed above.

REFERENCES


