The 'dot.com' crisis in Spain*
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People are saying in Silicon Valley that at last things are back to normal in the valley. People are convinced in that frontier land that all those new Internet bubble companies have deflated and it's back to creating technology in its pure state (the silicon of its beginnings) while the Internet start-ups are a thing of the past.

As if to confirm this remark, on the other side of the States, the Nasdaq is separating the grain from the chaff and, after 80% of the dot.coms have bit the dust after falling from their dizzy stock price heights, it is steadily contracting at the pace of an incipient American-style recession.

But while the world economy's main engine has slowed its pace, the Internet world and its satellites are suffering a severe crisis that, by no standard, can be considered a 'soft landing'. What has become of those top executives who swapped their jobs in the more consolidated multinational corporations for ideas that promised happiness in the form of stock options? Examples abound of promising careers that have been temporarily brought to a halt by the dot.com crisis. Is there any new economy guru, who heralded far and wide the advent of a revolution, who is not busy reviewing his theories to bring them more into line with those of the then gray and stuffy Greenspan?

Today, with the pendulum in full swing in the opposite direction, it seems that, for some, the new economy simply never existed. There are many who have prematurely and frivolously written off what was going to be the next industrial revolution, which would change the rules of economics and usher in a new production system, a shortcut towards profit, a paradise for speculation. The crisis has shattered all those hopes, the grand concepts and the grandiloquent proclamations, no doubt out of touch with reality.

In the fuckedcompany.com website, many entrepreneurs, at one time showered with praise from the financial press, explain the causes of their failure after the collapse. It is an illustrative, interesting visit. One of the conclusions that it seems one can draw from so many aborted projects is that there are things that should never have changed, particularly the rules of business management of the old economy, or what we now call the always economy. The disasters have happened one after the other at a surprising pace.

From the San Andrés fault, the collapse of Boo.com was seen as the first warning tremor that the Big One was coming. That latest technology website, with dynamic animations, which aspired to become the sports clothing store for the Bobos, a new social class half-bohemian half-bourgeois, was unable to get the funding it needed to survive. In that company, as in many other Internet start-ups, under the pretext of
promotional tours, entrepreneurial executives enjoyed the luxury of five-star hotels, chauffeur-driven limousines, first-class airline tickets and dinners with champagne and caviar. Without doubt, they were heady days. Their beginnings were worlds away from those of some of the great North American fortunes created a century before, such as the Rockefellers (oil and transport), Guggenheim (metal and mining), Woolworth (economy stores), Studebaker (railcars) or Getty (oil).

After the fall of Boo.com, the slaughter was indiscriminate, affecting both those who lived like kings with business plans that would not even convince an Economics freshman and the stoics who obeyed the rules of orthodox business management. A glance at the Nasdaq, the former promised land of the followers of Negroponte, shows that the few companies that withstand the tide of red ink are the biotechs and the pure blue chips, which had always grown in Silicon Valley and were not infected by the ephemeral fever of the boomerang start-ups.

And even though it may seem that the European economy is not in recession - unlike the American economy, as the European Commission likes to proclaim complacently - the new economy crisis, true to its globalization philosophy, has resolved to wipe out all start-ups that do not have a colossus behind it - like Terra backed by Telefónica - that is able to withstand losses topping 92 billion pesetas. The collective state of opinion of analysts and investors today is very negative.

Spain has decided not remain aloof from this process and, even though it is not the country with the highest record of digital crashes, it seems that recently the figure is aligning with the average of other countries such as France and Great Britain. The headline blazed across the financial press only a few months ago was 'Equality, first crisis of a Spanish dot.com'. Now the national economic news often reports on the pogroms applied by ultraorthodox Old Economists to any company with dot.com on the title page of its business plan.

The crisis of the Spanish dot.coms has ceased to be an obscure, monotonous list of companies that disappear and is now front page news in the national press. The stock market tumble of Yahoo! and the fall of Jazztel after Apax (the first venture capital company that backed Martín Varzavsky's company) sold its entire share package are two clear examples of this. A few weeks earlier, another two emblematic projects of the new economy in Spain had hit the rocks: Recol and Teknoland.

Recol surprised the Spanish business world last February 12 when a group of former directors led by Manuel de la Rica filed an accusation against the company's board of directors before the CNMV (the Spanish SEC). Obviously, something was going very wrong in that promising project, created to take Internet to all professional associations and their members in the Spanish-speaking world, after having attracted 29 million euros from almost 7,000 small investors in barely 7 months.

According to the accusation filed by the group of former directors, certain irregularities were performed and the Spanish courts have already found evidence of criminal conduct. On Friday, March 2, the Madrid courts accepted the accusation and started a preliminary investigation.
Rocol had led one of the most ambitious Spanish dot.com projects in Latin America. More than 50 employees per country and a multi-million investment in Mexico and Argentina, which could now turn against its own promoters and against Spain's image in those countries. In Argentina, Rocol's employees have demonstrated several times in front of the Spanish Embassy. The powerful Argentinean press union is supporting the simple claim made by Rocol's workers: payment of their salary arrears. In Mexico, it appears that the solution is less complicated: a management buyout may solve the company's crisis in that country, although at the cost of losing all the money invested so far.

But, almost simultaneously, there was also bad news on another front: the smartest and fastest-moving Internet consulting firm in our country foundered. Teknoland, flagship of the surviving new economy - or, to put it another way, the standard-bearer of those companies that live off the dying start-ups by rendering them all types of services - was reported in the financial press as an undeclared failure.

According to its founders, Teknoland was sinking because Terra decided not to put up the 7 billion pesetas needed to buy the company as was supposedly provided in an agreement signed between that aggressive Terra which swallowed up the American Lycos under Villalonga's leadership and Teknoland by which, if Terra's holding (initially 25%, although it increased to 36% after several capital increases) was not bought back by Teknoland, Terra would buy the whole company.

It seems that the situation isn't clear and, with the company in temporary receivership, Teknoland's current managers have sued Terra. With the Rocol and Teknoland cases, the Internet crisis in Spain has moved to the courts. The situation seems to mimic that of Napster which, mourning the existence of justice outside of Internet, awaits sobbing the closure of what was once the utopia of the Internet world in which the rules of the off-line world were neither applicable nor necessary.

The balloon deflates and, as they say in Silicon Valley, everything is coming back to normal. The Internet phenomenon will continue to advance inexorably, even prodigiously, but without stock market hoo-has. We have lived a bubble that burst almost as soon as it was made; a beautiful dream in which children's rules were the only ones that were valid and from which we have awoken as adults in a world regulated by the Code of Commerce, the Criminal Proceedings Act and so many other rules. In short, it is life as it always has been.

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*Article published in El País on 06/07/01