

POSITIVE FACTORS FOR FOREIGN INVESTMENT IN SPAIN



100 reasons
to invest

**Report commissioned by Multinacionales por Marca España
Prepared by Sifdi**

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| | | |
|-----------|---|-----------|
| 1. | 100 REASONS TO INVEST IN SPAIN | 06 |
| | INTERVIEWS | |
| | Juan Pedro Moreno. Accenture | |
| 2. | OBJECTIVES OF THIS REPORT | 16 |
| | INTERVIEWS | |
| | Richard Weissend. Heineken | |
| | Mark Hall. HSBC | |
| 3. | METHODOLOGY AND COMPARISON FRAMEWORK | 18 |
| | INTERVIEWS | |
| | Tony Jin Yong. Huawei | |
| | Marta Martínez Alonso. IBM | |
| 4. | FACTORS SUPPORTING FOREIGN INVESTMENT IN SPAIN | 32 |
| | 4.1 Market attractiveness | |
| | 4.2 Infrastructure development | |
| | 4.3 Talent | |
| | 4.4 Innovation capability | |
| | 4.5 Quality of life | |
| | 4.6 Cost base | |
| | 4.7 Business environment | |
| | INTERVIEWS | |
| | Ignacio Sánchez Villares. Leroy Merlin | |
| | Jesús Sánchez Bargas. Thales | |
| 5. | CONCLUSION | 78 |
| 6. | APPENDIX 1 - COMPARISON FRAMEWORK | 80 |
| 7. | APPENDIX 2 - LIST OF FIGURES AND TABLES | 86 |
| | 7.1 List of figures | |
| | 7.2 List of tables | |
| | 7.3 Abbreviations and acronyms | |
| | 7.4 References and useful links | |
| | 7.5 Databases | |
| | 7.6 Footer References | |



In this second edition of the report “Positive factors for foreign investment in Spain”, we have expanded the field of analysis taking into account up to seven key aspects that affect international investment business decisions in our country, namely: market, infrastructures, talent, innovation, costs, quality of life and environment.

The study has allowed us to identify 100 reasons why Spain is an attractive country for foreign multinational companies. Firstly, it combines technology and talent to produce high quality goods and services oriented to international demand. Other aspects linked to the growth of the economy, external openness, leadership in infrastructures and potential access to third markets all favour companies that decide to invest here.

The high degree of economic and socio-political stability, and a geo-strategic position, without forgetting the Spanish language, are also important assets when it comes to attracting investment. Likewise, quality of life-related factors such as the health system, culture, entertainment and leisure facilitate adaptation to our country and make Spain one of the main tourist destinations in the world.

The aim of this publication is to provide up-to-date and structured information that favours the investment of multinational companies and helps to transmit to these organisations an adequate perception of Spain as an excellent investment destination. Foreign multinational companies are a crucial actor to highlight these opportunities and help Spain achieve the maximum potential of its excellent investment climate.

Adolfo Aguilar
*President of Multinacionales
por marca España*



In a globalised world in which multinationals have infinite options when deciding on where to channel their international investments, it is key for Spain to make all necessary information available to foreign capital to help make the best decision in this regard. The report we have drawn up alongside 'Multinationals for the Spain Brand' is an analysis of the main advantages that Spain has to offer as a foreign investment destination.

HSBC has always believed in the enormous potential that Spain offers to multinationals. Our arrival in the country in 1981, when it still only had a secondary role in the international sphere, is proof of that. We wanted to be part of the new era unfolding in the country and to tap into the many opportunities that were springing up. There is no doubt in our minds that we made the right decision.

During that time, we have witnessed Spain become an important international player, currently being ranked the fourteenth largest economy in the world, and the fifth in the European Union. Its state-of-the-art infrastructures, the leadership shown by its multinational companies in strategic sectors, its geographic position, its professionals, and its favourable environment for businesses, are all just some of the most notable advantages that Spain has to offer foreign investors.

Given the huge global competition to attract foreign capital, we must continue joining forces to highlight Spain's strengths as an investment destination and reinforce its reputation abroad. This report is certainly a useful source of analysis to guide us in that direction.

Mark Hall
HSBC CEO Spain

1

100 REASONS TO INVEST IN SPAIN



THE ANALYSIS HAS TAKEN SEVEN FUNDAMENTAL DIMENSIONS INTO ACCOUNT THAT INFLUENCE INTERNATIONAL INVESTMENT BUSINESS DECISIONS: THE MARKET, INFRASTRUCTURE, TALENT, INNOVATION, COSTS, QUALITY OF LIFE AND ECONOMIC CLIMATE.

The use of metrics and indicators detailed in the methodology and throughout the report have enabled the situation in Spain to be contextualised and benchmarked with reference countries in terms of attracting multinational companies.

As a result, this analysis has identified:

MARKET ATTRACTIVENESS

- 01** One of Spain's clearest attributes today is the potential growth of its economy. Compared internationally it has an attractive scale and it is now one of Europe's leading economies.
- 02** Spain's economy has delivered four consecutive years of growth (2014-17) and the last three at levels above 3%, above the main EU nations and higher than the EU average (3.1% vs 2.6%, 2017).
- 03** The growth of Spain's economy has come with the creation of more than 2 million jobs, a cu-

urrent account surplus over five consecutive years - an unprecedented achievement in recent history, and this has also seen a reduction in the public deficit by more than €70bn.

- 04** According to studies such as those published by the Harvard Center for International Development, Spain will be the number one in Europe and the fourth in the OECD in terms of GDP growth to 2025 (3.8% annually).
- 05** Foreign trade has played a key role in the recovery of Spain's economy through record levels of goods and services exports year-on-year.
- 06** Over the last ten years, Spain's economy has significantly increased its level of foreign trade. Exports of goods and services as a proportion of GDP increased from 22.7% in 2009 to 32.9% in 2016, the third greatest increase in the OECD over the same period.
- 07** Spain has also been the only major Eurozone country to maintain its share of foreign trade during the crisis years.
- 08** Spain is in a leading position in terms of ease of access to international investment. According to the OECD's FDI Restrictiveness Index, Spain is the 9th most open economy to FDI in the OECD and G20 countries.
- 09** FDI stocks in Spain amount to 2.1% of the world's total, which is considerably greater than the 0.7% OECD median, and positions Spain at 6th in the EU in terms of cumulative foreign investment.
- 10** UNCTAD also highlights that between 2009 and 2016 there were 3,400 greenfield projects, amounting to an average of 420 projects annually. This ranks Spain 5th among its OECD peers and underlines the attractiveness

of the Spanish market to foreign investors, even during periods of economic crisis and global uncertainty.

- 11** Spain has gone from being a net recipient of foreign direct investment to almost balancing investment volumes received and issued. Spain now has c.2,700 investment companies abroad which control c.8,700 subsidiaries, most of which are top-tier and have a significant share in international tenders.
- 12** In addition to the favourable market conditions, in terms of size and openness, Spain has two important strategic assets: (1) a high degree of stability, both in economic and socio-political terms, and (2) a first-rate geo-strategic location.
- 13** Spain is therefore one of the most important domestic markets with easy access to growing third markets, both in Europe and the Americas. Spain offers substantial opportunities as a gateway to other neighbouring markets thanks to its significant share and traction in the tourism market worldwide.
- 14** This enables Spain to be a hotbed of ideas and a global showcase for new projects and developments. Its market is sufficiently large and mature to serve as a global test-bed and showcase for new projects and developments.
- 15** An additional factor in Spain's market attractiveness is its language, its use in business and the potential it offers. Spanish is the second most spoken language as a native (436m) behind only Mandarin worldwide. However it is also second by (i) number of inhabitants, (ii) most studied language, (iii) most used in international communication, and also (iv) content on the internet.

16 Spanish is a far-reaching working language and this underlines the need to consider the value of this asset. Spain is in a position to become a node in the Spanish-speaking business world and assert its role in Europe and the rest of the World.

INFRASTRUCTURE DEVELOPMENT

17 In the most recent edition of the WEF's Global Competitiveness Report (2017-18), Spain's highest ranking dimension by far is the quality of its infrastructure, reflecting Spain's prominent position at this regard worldwide.

18 Spain is a global leader in high-speed rail network, punctuality and fleet versatility. It has the second most extensive high-speed network in the OECD and first in the EU, with nearly 3,000km of track in service.

19 Spain ranks 3rd in the EU in terms of incoming and outgoing passenger volumes and since 2013 these metrics have been growing substantially.

20 Three of Europe's main airports by passenger volumes are located in Spain: Madrid Barajas in 5th place, Barcelona El Prat in 6th and Palma de Mallorca in 13th. Both Madrid and Barcelona airports are among the highest-ranking in terms of quality of service, punctuality and passenger experience.

21 The International Air Transport Association (IATA) has recently chosen Spain, Madrid in particular, as the site of its global operations centre, from which 83% of the world's air traffic will be controlled.

22 Spain is also a leader in roads with the longest network of

motorways in the EU. At over 15,000km Spain is far above the EU-average.

23 In the maritime sector, Spain is the second European power in container movement and 11th in the world, with an installed capacity of 1 billion tonnes. Spain has a port system of 46 ports of general interest, which mobilise more than 26 million passengers annual and have freight traffic volumes of over 450 million tonnes.

24 Maritime freight volumes at Spain's ports have increased by a total of 25% since 2009 or a CAGR of over 3%, the highest among the EU's major countries.

25 According to the International Congress and Convention Association (ICCA), Spain holds the 5th position worldwide and 4th in Europe in terms of number of international events and participants.

26 Spain is also a world leader in transport infrastructure management: six of the twelve largest infrastructure management companies (by number of concessions) worldwide are Spanish and manage nearly 47% of the main transport concessions.

27 The World Bank's Digital Adoption Index puts Spain among the leaders in digital adoption by individuals.

28 According to the International Telecommunications Union, Spain has a mature, innovative and well-developed telecoms market, with high penetration rates for both fixed and mobile services and a strong focus on the deployment of high-speed networks.

29 Spain's leading telecoms operator is the number 2 in Europe and number 4 in the world in R&D. According to Fortune it has the

highest reputation in Europe and second highest globally.

- 30** Spain is already the largest e-commerce market in southern Europe and the 4th largest in the EU. Mobile e-Commerce is registering strong growth in the country, with annual increases of close to 30%.
- 31** The country's digital transformation provides substantial investment opportunities in Spain. The digital revolution could lead to a €120bn increase in value-added by 2025.

TALENT

- 32** With a population of 46 million and an active population of almost half of that, Spain is a key market for generating, attracting and retaining talent.
- 33** The gross enrolment rate in tertiary education in Spain is the 2nd highest in the EU and 5th in the OECD.
- 34** There is now a significant pool of highly qualified university graduates. Spain ranks 6th in Europe for science, technology, engineering and maths (STEM) graduates.
- 35** Spain also scores higher than the OECD average and above major European countries, with the exception of Germany, in terms of percentage of ICT graduates over the total number of graduates.
- 36** The Center for World University Rankings' Top 1000 features 40 Spanish universities, ranking Spain 5th in Europe and 7th in the OECD.
- 37** Spain ranks 3rd in Europe and 5th in the OECD for quality of business schools according to the WEF.
- 38** Spain has a very well-trained and internationally recognised work-





force especially in terms of graduate and post-graduate professionals.

- 39** 40% of employment in Spain is accounted for by medium- and high-technology manufacturing and knowledge-intensive services, after an increase of almost 5 points since 2008.
- 40** Spain has the lowest incidence in Europe of companies reporting problems finding ICT specialists (17% set against an average of 46% for the countries analysed).
- 41** This positions Spain as a country that facilitates access to specialist talent.
- 42** The foreign population in Spain is over 6 million which is 4th highest in the EU and 7th in the OECD.
- 43** Since the beginning of the century, the foreign population in the country has tripled, despite an adjustment during the economic crisis. This represents an unrivalled increase in the OECD.
- 44** For over 15 years Spain has also been the number one destination country for European university students to complete part of their higher education through the Erasmus programme. Of the top 20 receiving universities in Europe, 10 are in Spain.
- 45** Multinationals with a presence in Spain at present directly employ over 1.4 million people, the 5th largest volume in Europe.
- 46** Spain also has the third most valuable passport in the world, measured by the number of countries accessible without a visa. This reflects positively on the openness of its society, the ease of access to the international community, and the excellent diplomatic relations it enjoys.

INNOVATION CAPABILITY

- 47** Foreign companies account for more than a fifth of business R&D expenditure in most OECD countries, amounting to 38% in Spain.
- 48** A factor to be considered by international companies is the favourable tax scheme incentivising R&D in Spain. This is recognised as one of the most advantageous in the OECD, both for large corporates and for SMEs.
- 49** Of the 1000 top EU companies by R&D spend in 2017, 21 were Spanish according to a European Commission study.
- 50** According to the national survey on corporate innovation, there are 18,484 companies that are considered innovators in Spain. Of these, 10.9% are foreign owned. Of the innovators in Spain with over 250 employees, 32.0% are foreign-owned.
- 51** Foreign-owned companies mainly operate in high-tech industries and their spend on training, R&D and other technology-driven cost centres are higher than Spanish-owned businesses.
- 52** Spain has hosted the headquarters of the International Association of Science and Technology Parks (IASP) since 1996, at the Andalusia Technology Park (PTA) in Malaga
- 53** Spain represents 0.7% of the world's population but produces nearly 3% of all scientific publications worldwide and represents 4.9% of annual downloads. By these measures Spain is the 10th largest scientific power in the world, and has become one of the world's references when it comes to training top researchers.
- 54** Almost half of Spain's scientific output has been published in collaboration with institutions outside of Spain. This demonstrates the extent to which Spanish researchers have won international recognition. 8% of partnerships around the world involve Spanish researchers.
- 55** Spain's technology ecosystem continues to advance at a good pace, as reflected in both the increase in the number of start-ups (3,301 in 2017) and in the levels of VC investment made. Spain is closing the gap with leading European economies both in terms of total and per-capita investment.
- 56** Spain has become the 5th country in Europe for entrepreneurship and is the only country in Europe with two leading entrepreneurship hubs.
- 57** In Spain there seems to be no shortage of innovative start-ups launched or early-stage financing. However, foreign contributions will continue to be essential to promoting their growth and supporting their expansion internationally.
- 58** Spain has seen a significant increase in public support for innovation financing programmes, particularly in seed and early-stage rounds.

QUALITY OF LIFE

- 59** Spain's work-life balance is one of its main attractions. Among its OECD peers Spain's attainable work-life balance ranks 4th, and this takes both average time spent at work and, in particular, the quality of time spent on leisure and personal care.
- 60** According to HSBC's latest expat survey which assesses countries on economic, experience and fa-

mily criteria, Spain ranked 17th out of 46 nations and scored highly for health, quality of life, culture, social life, ease of making friends and integration.

- 61** Spain's universal health system guarantees foreign workers and displaced people virtually the same health services as Spanish citizens.
- 62** The efficiency of these services, together with local habits and the availability of adequate and quality health services, places Spain among the healthiest countries.
- 63** In fact, Spain is second in the world and the first in Europe for life expectancy according to the OECD, with high levels of social support and one of the best health systems in the world.
- 64** Spain has been the clear leader in transplants over the last 26 years, and has seen the largest increase in donations over the last three years since records began.
- 65** The homicide rate in Spain is the third lowest in the EU, some 40% lower than the average for the EU, itself one of the safest regions worldwide.
- 66** According to the Global Peace Index, Spain is a Top 25 country worldwide.
- 67** Spain is number three in the world and number two in Europe for number of UNESCO World Heritage sites.
- 68** Spain is the world's number one in UNESCO biosphere reserves, with a total of 48 across its geography.
- 69** Spain has been ranked first in the tourism sector for the second time by the World Economic Forum, surpassing the other 135 economies analysed in factors and policies that allow for a sustainable development of the tou-

rism and travel sector thanks to a successful mix of cultural and natural resources, combined with excellent tourist services and infrastructure, air connectivity and government support.

- 70** In Spain, growth exceeded the market, increasing by 8.9% in 2017 to 82 million tourist arrivals. This has helped drive Spain above the United States for the first time. It is now second place worldwide, behind only France.
- 71** According to the Pew Research Center Spain is the most tolerant country of homosexuality and one of the world's leading countries in moral freedom.
- 72** Spain stands out for having a peaceful and stable society, scoring highly on (i) inclusion, particularly in terms of women's education and financial inclusion, (ii) low rates of men who believe it is unacceptable for women to work, and (iii) the absence of organised violence.

COST BASE

- 73** Spain is one of the most competitive OECD countries in terms of value, cost and risk.
- 74** Together with Italy, Spain has one of the lowest average salaries among the main countries and advanced economies of central and northern Europe, both in general and in technology Jobs.
- 75** Labour costs in Spain are 29% lower than the Eurozone average (€30/hour) and 16% lower than the EU average (€25/hour) for employers in industry, construction and services, taking both wages and social security into account.
- 76** In industry, according to Eurostat, wages together with social security in Spain amount to €23/hour, while the Eurozone average is €33/hour.



- 77** According to both OECD and Eurostat data, Spain has seen one of the lowest increases in salaries since 2008 among its peers, and a clear stability during the 2012-2016 period.
- 78** Since 2008, unit labour costs have decreased by 4% in Spain, while they have increased in the Eurozone by more than 12%.
- 79** The economic crisis has had a major impact on the containment of these labour costs and has made Spain one of the most cost-efficient locations for production and services output.
- 80** The costs of renting offices are significantly lower in Spain's Tier 1 cities than in other European cities.
- 81** Spain also has large tracts of land available across most of its regions, at prices that are highly competitive following adjustments during the economic crisis. This abundance of land allows any type of industry or service activity to be located in Spain.
- 82** Spain's electricity network offers high security and quality of service by highly competitive global operators. By way of contrast, energy costs in Germany, Italy and the UK are 55%, 33% and 18% higher than in Spain.
- 83** According to the World Bank, the tax burden in Spain is in line with the European average.
- 84** Spain incentivises certain groups of activities to reduce the corporate income tax burden, which stands at 25%.
- 85** One of the main differences between Spain and other major European countries where technology hubs are based, is its relatively low cost of living. Together with the lifestyle afforded by Spain's major cities helps to attract and retain talent from around the world.

- 86** Retail publications recently rated Spain as one of the best countries for consumer value-for-money.
- 87** Retail pharmaceutical products are also much cheaper in Spain than among its European peers.
- 89** Spain ranks 3rd in Europe and 7th in the OECD in the United Nations E-Participation Indicator following significant increases since 2005.
- 90** Freedom House's annual report on political rights and civil liberties worldwide, published for over 40 years, ranks Spain a prominent 16th out of the 50 countries analysed.

BUSINESS ENVIRONMENT

- 88** Spain is among the strongest democracies in the world, according to international democracy indices, and its considered a "full democracy" by the EIU.
- 91** The safety nets such as membership of the EU itself minimise risks for investors. Civil society complies with obligations and contracts and this is a fundamen-



tal value of conducting business in Spain.

- 92** According to the World Bank's Doing Business in 2018, Spain ranks 28th out of 194 countries, climbing four places since the previous year.
- 93** The increased competitiveness of the Spanish economy since 2010 has led to an improvement of 34 positions in this ranking over the same period.
- 94** The latest edition of the report highlights the attractiveness of Spain's reliable infrastructure, skilled workforce, cost-competitiveness, growth of the economy as well as positive and open attitudes.
- 95** The reinvestment made by companies with foreign capital has a significant effect on FDI data in Spain. Similarly, partnerships with Spanish companies have had profoundly positive outcomes. Together these have increased the value of the intangibles on Spain's economy, which are essential to enhancing competitiveness.
- 96** In the EU, Spain leads in economic growth and contributes positively to the consolidation and strengthening of the Union itself.
- 97** Spain also stands out in the European Sustainability Ranking, where it is ranked 1st.
- 98** Support for foreign investment in Spain is also delivered through investment promotion agencies (IPAs), which provide support facilitation to established foreign companies in Spain as well as new companies and investment projects.
- 99** According to Brand Finance indicators, Brand Spain's value was the third fastest improving (+46%) in 2017.
- 100** Spain has performed well in Rep-track's Pulse indicator, which measures the esteem, confidence, respect and general impression that a country is associated with. Spain ranks 13th worldwide in terms of its Country Brand, following an improvement of 4 positions.

interview

JUAN PEDRO MORENO

Chairman of Accenture España

Accenture has been operating as a consultancy and service company for over fifty years in Spain. To meet the needs of multinationals in Spain that required professional services, the company developed an extensive range of technology and operations consultancy services based on methodologies, performance capacities, industrial and responsible consultancy that saw us become a services leader in our country with a turnover in excess of a thousand million dollars.

Indeed, Accenture has transformed itself anew to tackle the challenges of this new era. Leadership in digital transformation of our clients' businesses and technologies, allied to our commitment to applied innovation underpins our strategy and positioning. Our client base is made up of the already 80% of the companies quoted on the Ibex35 that have become clients of ours, not to mention a further 500 medium-sized enterprises and public bodies covering all sectors.

What were the determining factors that led to investing in Spain?

The presence of foreign multinationals operating in Spain, allied to the stability and political and economic development prospects in our country, were key elements in attracting us to Spain over 50 years ago. Since then we have been collaborating with the modernising and internationalisation of both Spanish companies as well as the country itself.

The current existence of Spanish multinational leaders on international markets—in fields such as cars, retail banking, utilities, transport and construction—are key factors in attracting investment and encouraging innovation and the development of new businesses in Spain.

How is the company structured in Spain at present? What role and weight does Spain play in the overall group structure? What activities are directly managed from the company's Spanish offices?

Accenture offers a range of services that require the attention of its over 12,000 professionals and which groups other countries, such as Portugal and Israel under our management. Spain is ranked eighth in our worldwide organisation in terms of its turnover. It is organised by the specialist services it provides to industrial areas (financial services, communications and high-tech, natural resources, industry and distribution, public health and services) and by the types of services (consultancy, technology, operations, digital and innovation).

Accenture is present in a host of products and services consumed by the general public at any given time of the day, unbeknownst to them, but always in pursuit of the same goal: to improve the world in which we live and work.



What does a company like Accenture need to grow in Spain? How dependent is it for this growth on the parent company?

The keys to our growth in Spain are always related to our capacity to innovate, to combine our business knowledge with our performance capacities. Accordingly, we rely on the talent, diversity, experience and creativity of our professionals. Education, therefore, is a key element in our success.

Our raison d'être in this B2B sector depends on the strength, competitiveness and leadership of our Spanish clients in global markets. Thus giving rise to the perfect symbiosis: we help our clients to transform themselves and lead their sectors, while they in turn, through their leadership nourish our positioning and leadership in the worldwide organisation.

What do you think distinguishes Spain from other group European subsidiaries? And the worldwide ones?

Accenture España is a byword for passion, creativity and performance capacity in our worldwide organisation. We are one of the most recognised hubs when it comes to innovation and creativity, duly underpinned by performance capacities in the service of our clients who lead their industries from Spain. A virtuous circle that feeds back the investment and focus of our organisation here.

What do you see Spain offering Accenture in the future? Accenture is a company that is fully immersed in the production and social fabric of our country. We are what this country gives us and, in turn, we give back what this country most appreciates: talent and the capacity to make it progress.

The mutual give and take of this relationship is what has led to such unquestionable success to date.

Accenture is extremely proud of its presence in Spain, and I believe Spain is likewise proud of our contribution through our clients and professionals.

2

OBJECTIVES OF THIS REPORT



MULTINATIONAL CORPORATIONS PLAY A FUNDAMENTAL ROLE IN THE GLOBAL ECONOMY AND ECONOMIC DEVELOPMENT. THE TOP 500 BUSINESSES WORLDWIDE CONTROL 70% OF THE WORLD'S TRADING, AND IN TURN, THE TOP 700 BUSINESSES ARE RESPONSIBLE FOR TWO THIRDS OF R&D SPENDING AROUND THE WORLD.

One of the channels for international expansion that multinationals use is Foreign Direct Investment (FDI). This generates commercial relationships between investor companies and the countries and regions where they are located via new capital investments, job creation, access to global commerce and innovation ecosystems.

In this process, these multinationals make decisions about where they invest based on the information available and the degree to which the location in question may serve their business needs. In deciding where to invest, the underlying information used by multinationals is far from

perfect and the decision making process may be subjective and open to bias. The process is also likely to be bureaucratic which may be affected by imperfect competition, disproportionate risks and perceptions, and rivalries between subsidiaries and business units affected by the decision. From a specific country/region perspective, the capability to host multinationals or part of their diverse footprint has increased extraordinarily over recent decades. All countries take fundamental qualitative factors such as image, branding, and perceptions affecting the destination of FDI into account. Nevertheless, an attractive local economy - defined by the

ability to attract new businesses and the mobile productivity factors (capital, movement of talent, knowledge, etc.) to a specific location - continues to be decisive in where multinationals choose to locate themselves.

So, how are decisions on investment locations reached? Which factors coincide such that a business is inclined to invest in a country, region or city? The economic literature on business investment processes is abundant and has been brought up to date as multinational go-to-market strategies have transformed over recent years.

It should be noted that the decision parameters driving foreign investment are unique to each company and vary considerably as a function of their home geography, sector, investment destination, as well as the specifics for each investment project. Once the business decides to invest abroad, the key question considered is where that investment should be directed: a country or region that should optimise the return vs. risks on the investment.

In the first instance, selecting the investment location is proportionate to the goals to be achieved, usually divided between four different models: market search, resource-driven, efficiency-driven or strategic. In practice, a combination of these factors is common. Currently, multinationals' commercial strategies are increasingly nuanced, though it is clear that if a multinational is looking to reduce its overheads, the most attractive destinations are those that offer the most workable combination of labour, operating, rental, service and tax variables, among others. On the other hand, if the company is looking to access new markets, the most attractive investment destinations will be those countries with large populations, strong economic growth and a favourable outlook. These factors do not necessarily correlate with the previous set.

Secondly, multinationals direct their investment location decisions based on a series of local characteristics that affect local operations and operating profitability. Key among these are institutional frameworks, political stability, macroeconomic drivers, costs and corporation tax, the quality and availability of talent, connectivity and living conditions, among others.

Without doubt, not all locations will be optimal for all multinationals. However all locations will have positive aspects for many investors. These positive factors of a country or region are those that need to be disclosed.

In this content, this report seeks to identify the supporting factors that drive investment in Spain by multinationals, with the following two objectives:

- **Increase the level of investment by multinationals in Spain.** It is without doubt that a greater and deeper knowledge of the competitive advantage that Spain can offer supports reinvestment by some multinationals in their subsidiaries in Spain.
- **Contribute to the strengthening of the Spain brand as an investment destination by multinationals.** The information presented and updated on the key investment criteria underlines the sales narrative of the country as a business hub and destination for foreign investment.

“Most companies consider only a small range of potential investment locations. Many other countries are not even on their map”¹

entrevista

RICHARD WEISSEND

*Chief Executive Officer
of HEINEKEN España*



HEINEKEN España is a member of HEINEKEN N.V., the largest beer group in the world. It is a leader in the Food and Drinks sector in Spain, where it employs over 2,400 people and boasts the biggest beer portfolio in the country. The latter comprises of over 45 varieties under brand names such as: Heineken®, Cruzcampo® (currently the top ranking beer in the catering industry), Amstel®, Buckler 0.0® and specialities like Desperados®, Affligem®, Guinness® and Paulaner®. Over 10 million hectolitres of these beers were made in Spain in 2017.

HEINEKEN España is also noted for being the most innovative beer on the national market. Launches in the last three years account for some 10% of its turnover. Among these are category novelties, such as the Radler and Desperados® range, beer experiences like THE SUB®, Gluten-free Cruzcampo, the biggest range of alcohol-free beers in the market (namely, Heineken® 0.0, Amstel 0.0 and Cruzcampo 0.0), not to mention the introduction of the new cider category by way of the Ladrón de Manzanas® brand.

The company maintains a firm commitment to its social and environmental surroundings through the actions of its brands, the Cruzcampo Foundation and its Catering School. A commitment that encompasses all of its employees and the communities in which it operates, thus maintaining strong ties with them to generate shared value. It also promotes and recommends

the responsible drinking of its brands.

Heir to a long and passionate beer tradition, the history of HEINEKEN in Spain goes as far back as 1903; the year in which the first El Águila beer came onto the market (currently operating under the Amstel brand). This company was bought out by HEINEKEN in 1984. Subsequently, HEINEKEN took over the Cruzcampo Group in 2000, which was founded in Seville back in 1904, and merged it with El Águila, as of which time both began to operate under HEINEKEN España S.A. Many milestones have passed since then: particularly noteworthy are the building of the Seville factory in 2008; the presentation of the first sustainability report in our country in 2010; the leadership in innovation ranking in 2014 and the launch of Heineken 0.0 in 2017, the beer that has served to complete the biggest portfolio of alcohol-free beers in the Spanish market.

At present, the company is working towards becoming the most environment-friendly beer maker in the world. This challenge revolves around two ambitious goals:

achieving a neutral water balance by 2020 (i.e. returning all the water used in the beer making process back into the environment) and having 70% of the energy used coming from renewable sources by 2030 (i.e. reducing emissions by 80% with respect to 2008).

What were the determining factors that led to investing in Spain?

HEINEKEN has always been interested in the Spanish market. First off, you have the beer consumption pattern in Spain, which is in keeping with the so-called “Mediterranean Pattern”. This is basically characterised by responsible enjoyment, and closely bound up with food and drink and the catering industry, given that on over 8 of every 10 occasions -84%-, beer is drunk to accompany meals.

This consumption model is a key factor in making tourism particularly important in our country; a market in which beer, hotel and catering and food are closely related. The fact is that from 25% to 40% of hotel and catering establishments' turnover in Spain is directly related to beer. Mo-

Moreover, these are two of the factors most appreciated by foreign tourists that visit our shores and which have made tourism into one of the great pillars of our economy.

In addition to the foregoing is the firm roots that HEINEKEN has in Spain; a country in which we operate through iconic brands such as Cruzcampo, nationwide hotel and catering leader and the most important local brand for HEINEKEN globally speaking.

How is the company structured in Spain at present? What role and weight does Spain play in the overall group structure? What activities are directly managed from the company's Spanish offices?

HEINEKEN España is one of the five leading HEINEKEN N.V. companies worldwide. Indeed, it is the HEINEKEN Group's second biggest European market in terms of turnover and profitability. The company has four factories in our country (located in Madrid, Valencia, Seville and Jaén), two main offices (Madrid and Seville), numerous branches and the Cruzcampo Foundation, based in Seville. It also has three Catering Schools (Seville, Jaén and Valencia).

What does a company like HEINEKEN need to grow in Spain? How dependent is it for this growth on the parent company?

The key to HEINEKEN N.V. continuing to invest in Spain is that we meet the commitments undertaken with our parent company. These basically consist of maintaining the positive development of recent

years, returning results that endorse the good work of the excellent team of professionals that go to make up the Spanish subsidiary. Every day we work towards enhancing our efficiency, our competitiveness and our market leadership, but like everyone else, we all depend on the economic direction the country takes and that the existing legal and regulatory stability be maintained.



What do you think distinguishes Spain from other group European subsidiaries? And the worldwide ones?

Spain is the HEINEKEN Group's second biggest market in terms of turnover and profitability. Indeed, the Cruzcampo brand is the one that contributes the biggest total local sales to the Group from its position as Spain's hotel and catering leader. HEINEKEN España is, moreover, the driving force behind innovation in the Spanish beer sector, not to mention a benchmark for our group in production terms. The Seville factory is the most modern one in Europe. This has enabled us to export talent, management models and technologies developed in Spain to the rest of the world. For instance, the global launching of Heineken 0.0 in 2017 was promoted and coordinated from our

country. Moreover, Spain is one of the countries in which beer has a good image: it is seen as a social drink, one that is drunk among friends, responsibly and a country that clearly heads the consumption of alcohol-free beer in Europe.

What do you see Spain offering HEINEKEN in the future?

HEINEKEN has in Spain two assets that open the door to important opportunities for growth, thus forming the grounds for a solid, mutually beneficial relationship with this country.

Firstly, the Mediterranean consumption pattern, in which beer plays a socialising role in sharing quality friend and family time. This manner of enjoying a beer has become exemplary for the world as a whole, linking beer to food and responsible enjoyment. The latter is readily attested to by the fact that Spain is the European leader in the consumption of alcohol-free beer.

Secondly, the enormous talent of Spanish professionals has seen HEINEKEN become both a national and international benchmark in terms of innovation. A direct consequence of which can be seen when it comes to exporting talent abroad. So much so that, at present, there are dozens of professionals from several HEINEKEN España areas -Production, Marketing, Finance, etc.- that are pursuing their careers in other Group countries, some close by, such as The Netherlands, Italy, Ireland and Portugal and others somewhat further afield such as the USA, Chile, Panama, Burundi, Nigeria, Singapore and New Zealand.

interview

**MARK
HALL**

*Consejero delegado
de HSBC España*





HSBC was founded in 1865 to finance the growing trade between Europe, India and China. Since then, it has proven to have a strong international track record, and has gone on to open offices across the world, with Europe playing a major role in this expansion.

When HSBC first arrived in Spain at the outset of the '80s, the bank was looking to be part of the new era unfolding in the country and to tap into the many opportunities that were springing up. HSBC opened its first offices in Madrid in 1981 and since then, its primary focus has been on corporate banking, making it today Spain's leading international bank supporting local corporate customers and international subsidiaries of foreign investors. Spain is also home to HSBC Global Asset Management.

Throughout the years, HSBC has witnessed the country's economic evolution, its entry into the European Union, and its remarkable growth which has turned it into an international power. With its global experience and local knowledge, the bank has become an important companion on this journey for companies in Spain, supporting them in their growth, financing and internationalisation.

During these years, the bank has overcome many different challenges, and has always been able to adapt to the changing conditions on both a local and international level. HSBC uses this philosophy to tackle the challenges of the 21st century. It is currently immersed in supporting the Spa-

nish corporate ecosystem to adapt and maintain a leading position in important matters such as sustainable economic growth, the road towards a zero emissions economy, and the relevance of the Asian continent.

What were the determining factors that led to investing in Spain?

When HSBC decided to start operations in Spain, the bank had already made a name for itself in Europe. It knew instantly that it could not pass up the opportunity to be present in a country that was entering a new phase of development. Its geographic position, its historical relations with key areas such as Latin America, its business network and the quality of its infrastructure were just some of the aspects that pointed to a promising future for HSBC in Spain.

We now know that time has proven us right. Spain is currently a world power as the fourteenth largest economy in the world, and the fifth in the European Union. After a difficult period, the country's future looks promising. GDP grew by 3.1% in 2017[1], registering above 3% growth for three years. Household spending was up by 2.4% and Government spending experienced a growth of 1.6%. A growth of 5% was recorded in corporate investment, and up to 6.1% in capital goods.

How is the company structured in Spain at present? What role and weight does Spain play in the overall group structure? What activities are directly managed from the company's Spanish offices?

entrevista

On the one hand, there is Corporate and Wholesale Banking, supporting large and medium-sized companies that have a strong international focus to successfully implement their growth strategies. In this respect, it offers financing, payments, investments, and risk management services.

On the other hand, HSBC Global Asset Management is also in Spain offering local customers investment opportunities worldwide.

Spain is a key market for HSBC and its activity in the country is of major importance to the region, given the size of Spanish companies and the international growth they have experienced in recent years. Many of these companies are world leaders and their worldwide presence means that they require the services the bank can provide on a global level.

What does a company like HSBC need to grow in Spain? How dependent is it for this growth on the parent company?

For HSBC, it is important that Spain continues to have weight in the open international economy, as well as legal stability and outstanding growth figures.

In a global world in which the competition to attract capital is increasingly fierce, for us it is key that the investment activity is maintained and that foreign investors continue looking to Spain as one of their preferred options. It is important to maintain the current figures and to continue gai-

ning in competitiveness. The country has the sixth highest cumulative amount of Foreign Direct Investment (FDI) and is the sixth largest investor in the European Union.

Spain's business networks also continue to grow, increasing in size to be able to effectively take on the challenges of internationalisation and have the necessary ambition to set their sights on geographical areas that will play a fundamental role in the global economy in the medium term, particularly Asia.



In this positive local context, HSBC is constantly working in coordination with the parent company. Our services stand out from the rest thanks to our global focus and our ability to accompany our customers as they continue to grow worldwide. One of our priorities is to bring Spanish investment abroad, as well as bringing

foreign investment into the country. Our strong domestic position is both the result of the country's favourable situation, and the innovations developed at HSBC to provide the best service to our customers, regardless of their geographic origins.

What do you think distinguishes Spain from other group European subsidiaries? And the worldwide ones?

HSBC's Spanish subsidiary has managed to become the country's leading international bank in supporting local corporate customers and the international subsidiaries of foreign investors. This leadership position gives us an important foothold among the Group's other European subsidiaries.

In Spain we are known for advising leading international companies that need services in other offices of the Group, for whom we design innovative services that are then replicated in other offices, for example in matters of financing. Here it is important to note our leading role in the issue of green bonds in Spain and throughout the world.

What do you see Spain offering HSBC in the future?

Spain has a consolidated economy and is set to continue developing favourably. Therefore, it will continue to be a key country for us. From our perspective, some additional data should be highlighted that are undoubtedly a very positive foundation on which to further develop our operations in the country:

- **Record figures in foreign trade:** Spain ended 2017 with 8% growth in exports, reaching €282.3 billion. Imports also reached record highs of €308.216 billion last year, up by 10.43%. Spain has now been experiencing record highs in foreign trade for seven years.
- **Good economy:** 2017 was the best year for employment in Spain's major companies since 2013. Employment in major companies in 2017 rose by 4%^[2] year-on-year. This growth has been increasing continuously over the last four years: 3.4% in 2016, 3.1% in 2015 and 1.2% in 2014.
- **State-of-the-art infrastructure:** Spain's advanced infrastructure enables companies with businesses in the country to effectively move into the domestic market, as well as moving around the different countries of the EMEA region and Latin America. The Global Competitiveness Report 2016 published by the World Economic Forum (WEF) ranks Spain as twelfth in the world in terms of infrastructure and logistics services.
- **Legal Certainty:** One of Spain's main advantages is the country's legal certainty.
- **A good place to live and work:** As an international company, the geographic mobility of our employees is a key factor. Spain is one of the most appealing countries in which to work and live. In fact, for the third year in a row, it is the second best country for expats in terms of experiences, according to the HSBC Expat Explorer survey.

3

METHODOLOGY AND COMPARISON FRAMEWORK



AS PART OF THE ANALYSIS ON SPAIN'S COMPETITIVE POSITION IN TERMS OF MARKET ATTRACTIVENESS FOR MULTINATIONALS, IT IS WORTH PAUSING TO CONSIDER THE PROCESS FOR SELECTING THE COUNTRIES THAT ARE GOING TO FORM THE UNDERLYING FRAMEWORK AND VARIABLES FOR THIS ANALYSIS.

With regards to the former, while recognising that in practice this comparative exercise varies substantially as a function of each business's requirements, size, origin and previous know-how, the process of identifying the factors driving FDI in Spain in this report will be consistent with comparing Spain with a basket of countries whose level of development, geographic and socioeconomic context are a direct reference for Spain, among which OECD countries and the Big 4² of the EU are of particular importance. Appendix 1 provides a list of countries included in the comparative analysis with key contextual metrics.

In a similar way, to set out the framework with other international competing regions, the factors that affect a location's potential attractiveness have been grouped into seven dimensions. Each one of these is comprised of the metrics and objective indicators for comparison.

At present there is an abundance of literature, indices and indicators that attempt to index, compare, rank, or merely classify countries on the ba-

sis of different methodologies and criteria. To fulfill the comparison, the starting point is a detailed and granular analysis of the full range of existing studies and rankings, combined with a filtering and selection process, and considering factors such as relevance of the factors to the project framework, data availability and quality, the credibility and acceptance of the sources, as well as how recent and the frequency that the data is updated. Similarly, all attempts have been made to avoid any redundancy in the data analysed.

With this in view, the relevant dimensions for analysis are the following:

- **Market size:** International growth is one of the fundamental economic reasons for foreign investment. From this perspective, the attractiveness of a given country depends generally on its size, its current growth rate and outlook for future growth, its potential access to third markets, either due to proximity, historical and cultural ties or through agreements.
- **The development of existing infrastructure** - both in digital and transport forms - to the extent that they facilitate market access, both in the investment destination country as well as to third countries.
- **Talent**, a fundamental factor which not only defines the competitiveness of companies but also the attractiveness and potential of the country. This is particularly the case in high-value knowledge-intensive sectors.
- **Innovation capability.** This is widely understood to be the ability of a country to leverage knowledge assets to drive growth and economic well-being. This ability is not an isolated activity, but depends on the accumulation of knowledge capital as well as other types of capital and factors.

- **Quality of life**, fundamental to both investment location decisions as well as to the attraction of talent, both national and foreign.
- **Cost base.** The drive to improve cost-efficiency is a key driver of FDI for companies looking to improve competitiveness and profitability. There are a multitude of location-related decisions that depend mainly on real costs abroad relative to origin-country and the target markets.
- **Business environment.** This comprises legal and regulatory norms established over the business framework, their orientation towards business, levels of transparency, legal effectiveness and efficiency, stability, and existing levels of institutional support for foreign investors are important considerations to facilitate and incentivise foreign investment.

The most representative metrics of each of these dimensions have been analysed using the most appropriate indicators and comparatives. Appendix 1 includes a table summarising these key dimensions and metrics.

The results of this analysis have been used to build the positive narrative that positions Spain as an attractive FDI destination set against the current competition.

interview

TONY JIN YONG

CEO of Huawei España



We set up in Spain 17 years ago. It was the first country in which Huawei established a European presence. Since then, we have developed three lines of business (Telecommunications network infrastructures, Consumption and Companies) and managed to become the main telecommunications infrastructure provider for national operators; consolidated our company among the main manufacturers in the smartphone market and become a key partner in the digital transformation of public and private companies.

Though our main office is in Madrid, in the course of these years we have also extended our geographical presence in Spain with five offices in Barcelona, Valencia, Seville, La Coruña and Bilbao. Moreover, we have recently transferred to a new main office in the Castellana Norte Business Park in Madrid; a 21,000 m² area attesting to our commitment and intention to grow in resources and talent to play a key role in the transformation of the digital economy in Spain.

We plan to continue increasing our team in Spain (which amounts to over 1,200 profes-

sionals at present in addition to some 2,000 indirect jobs), focusing on higher level senior profiles with IT, Cloud, IoT, 5G and smart device experience to offer ICT and managed services to operators.

The ICT sector is experiencing an ongoing process of development and change. We at Huawei believe it is essential to continue investing in R&D to adapt our technology portfolio to the new technological requirements. Accordingly, our short-term plans are targeting investments in Cloud solutions, Internet of Things (IoT) development, 4K video services, network architecture and ultra-wide band.

It goes without saying that we will stick to our commitment

to connectivity and 5G investments to enable its rollout in 2020. Huawei has been investing in research and development in this technology since 2009: in 2017 alone we invested \$600 million in it and estimate that some \$800 million will be allotted to the same in 2018. 5G networks will make possible 100,000 million connections, millisecond latency and a speed of over 10 Gbps, which represents an increase of 10 to 100 times current 4G network speed.

Moreover, we are committed to supporting consumers in digital transformation by way of innovation and investing in Cloud infrastructure solutions and services with the aim in mind of administering an open and interoperable digital ecosystem.

What were the determining factors that led to investing in Spain?

Without a doubt, the dynamism and innovative bent of this market, not to mention the talent of the human resources, all contributed to our choice. Moreover, the enormous growth potential of the ICT sector in this country was a further incentive to opting for Spain.

How is the company structured in Spain at present? What role and weight does Spain play in the overall group structure? What activities are directly managed from the company's Spanish offices?

We have representation of the three business units that go to make up Huawei in Spain: Telecommunications Network Infrastructures, Consumption and Companies. Our over 1,200 employees in Spain are spread around the main office in Madrid (where we mainly centralise services such as Finance, Legal, Human Resources, Administration, Institutional Relations and Communication, as well as Occupational Health and Safety, in addition to general company management) and our 5 commercial offices in Barcelona, Valencia, Seville, La Coruña and Bilbao.

Over the years Spain has become one of our main pillars in Western European and one of the company's main priorities worldwide. At present, we serve over 30 million users in Spain and cooperate with over 200 partners.

What does a company like Huawei need to grow in Spain? How dependent is it for this growth on the parent company?

It is essential for Huawei to be able to count on a local partner environment that promotes innovation. Cooperation between our company and ICT sector stakeholders is one of our driving forces. Accordingly, the support and confidence of public and private companies, universities, think tanks, sector associations, as well as consumers themselves is essential.



What do you think distinguishes Spain from other group European subsidiaries? And the worldwide ones?

Spain is a priority market for Huawei's global strategy, particularly in areas such as 5G, fibre optics and consumer electronic devices.

In this regard, we ought to highlight the excellent state of affairs of the ICT sector in Spain, a country with one of the most mature telecommu-

nications infrastructure in the world and lead ranking in the deployment of fibre optic.

Moreover, it is an excellent moment in Spain to speed up the digital transformation and position itself at the forefront of technological development in Europe. We aim to convert ourselves into the facilitator of this process by means of creating a sound ecosystem with Spanish partners.

Lastly, it is important to highlight how well Spanish consumers have received our devices, to the extent of consolidating our second position in the smartphone market from May 2015 to November 2017, while also positioning us as leaders (according to GKF data) in December 2017 and January 2018.

What do you see Spain offering Huawei in the future?

Spain is undoubtedly a country full of talent, with an innovative and dynamic nature, all of which contributes to the creation of a fitting framework in which to develop our business. Moreover, initiatives such as the 'Digital Strategy for an Intelligent Spain', promoted by the government will no doubt serve to drive Huawei's development of wireless technologies, particularly 5G, which is destined to be the essential complement to the digital transformation of society and the economy, as well as the development of the Internet of Things (IoT), Cloud Computing, Big Data and the Connected Car industry, as attested to by the agreement recently signed with the SPA Group.

interview

MARTA MARTÍNEZ ALONSO

*Chairperson of IBM Spain,
Portugal, Greece and Israel*

IBM is the oldest IT company in Spain and in the world. In the course of our 107-year history our inventions have contributed significantly to modernising society. For instance, in the 20th century we invented the PC, the barcode, large company computers and the magnetic stripe on credit cards. So far in the 21st century we have created the first artificially intelligent company platform, IBM Watson and the first commercial quantum computers, the IBM Qs.



How did IBM come to Spain?

Development and outlook. IBM is present in 175 countries and employs over 350,000 employees worldwide. It came to Spain early in the 20th century, when King Alfonso XIII of Spain commissioned Fernando de Asúa to travel to the IBM head office in Paris to learn about its tabulating machines. Shortly thereafter, Fernando de Asúa began to market them in Spain. No less than 92 years have passed since then, in the course of which IBM has grown and developed in Spain to the extent that a few years ago the company located its European head office in Madrid, not to mention the opening of several international innovation and services centres over the last ten years. I am proud to say that we have collaborated and participated in the technological development of Spanish society. An achievement that has not been easy, but which attests to the talent and efforts of our team of professionals.

How has IBM contributed to development of Spanish society?

IBM knowledge and technology transfer to Spanish society has impacted significantly in the course of the nine decades the company has been working there. A fact readily attested to by taking a glance at just a few of the milestones along the way: IBM installed the first electronic machine in Spain—in the railway company Renfe—; we digitised the General Archive of the Indies; we created the first IT system to provide reporters with real time results at the Olympic Games (Barcelona 1992); in 2004

we built what at the time was the biggest super computer in Europe, the MareNostrum; and more recently IBM has signed the biggest IT contract in the history of Spain with “La Caixa” bank; moreover, we are currently working with Madrid City Council on the biggest smart city environmental project in Europe, while also collaborating with the Spanish Tax Office to help companies manage VAT invoices by means of artificial intelligence.



What has Spain given to IBM?

IBM growth in Spain has gone hand in hand with the intense development the company has undergone. The company considered back then and continues to consider Spain as an attractive country to invest in, which has led the IBM Group to locating its European head office in Madrid, in addition to building several innovation centres—located in Cáceres, Salamanca, Orense, Reus and Almería— as well as its international cloud computing centre in Barcelona: actions that have

resulted in the creation of thousands of jobs.

How is the company structured in Spain at present?

What role and weight does Spain play in the overall group structure? What activities are directly managed from the company’s Spanish offices? IBM is present throughout Spain and works for organisations of all sizes and sectors, either through its own commercial network or through collaborating or partner companies, thus enabling it to penetrate the entire Spanish industrial network. It also has specific programmes targeting entrepreneurs and developers, which are extremely important groups for us.

What do you see Spain offering IBM in the future?

Spain is a big country and an important market in Europe and worldwide. IBM sets up its operations where it finds the intellectual capital and a stable commercial, technological and business environment, conditions that are amply met by Spain. Moreover, the talent of Spanish professionals and the business potential of Spanish companies make Spain particularly attractive to foreign investors.

Furthermore, our organisations increasingly appreciate technology as one of the factors most impacting on the development of their businesses, thus leading them to rely on it to transform, grow and open new markets and sectors. Consequently, we are optimistic as regards the future development of the Spanish market.

4

FACTORS SUPPORTING FOREIGN INVESTMENT IN SPAIN



4.1 MARKET ATTRACTIVENESS

4.1.1. Market size

Similar to other countries of considerable size, over the last thirty years Spain has attracted a high number of multinational corporates seeking access to its large market. This has generated a considerable level of foreign capital in medium- to high-intensity manufacturing industries, as well as in professional services.

Spain's inbound foreign capital has had a favourable impact on the growth of its economy, fuelling growth in GDP, employment and productivity, both through external technology impacts on Spanish companies as well as driving market competitiveness. In effect, market development is one of the fundamental economic drivers of foreign investment. For this reason, the size and strength of a host country's market are clearly decisive factors when multinational enterprises (MNE) decide where to establish themselves around the world.

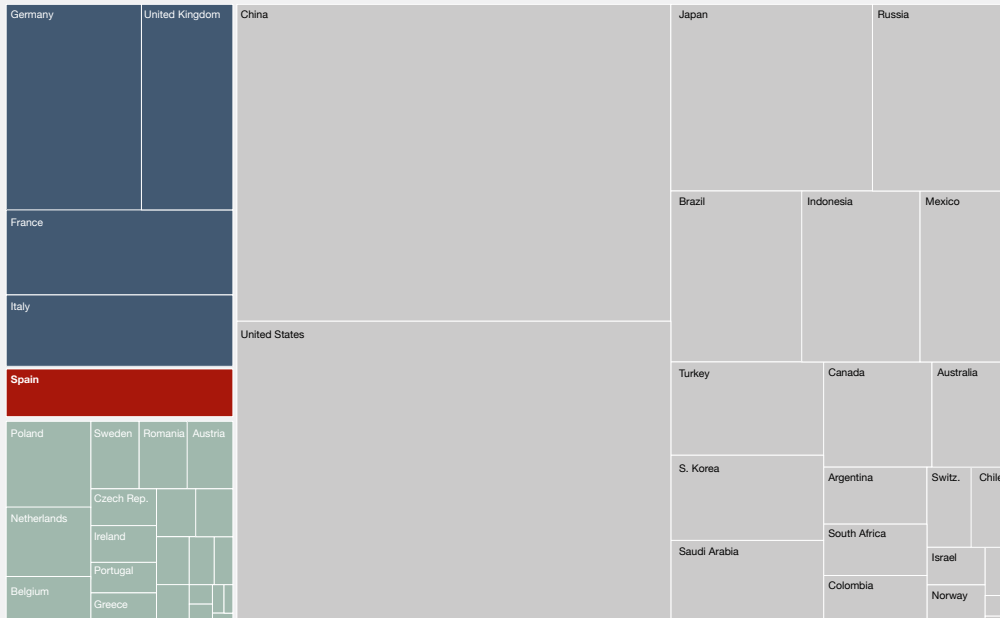
The Spanish economy offers an attractive scale among international peers as one of the leading economies in Europe.

Gross Domestic Product reached €1.16bn in 2017, which was higher than pre-crisis levels (2008). Spain today is the 14th largest economy in the world, 10th among OECD members, 5th in the European Union and 4th in the Eurozone.

Beyond the attractiveness of Spain's market size, it is also highly attractive in terms of its ability to recover, change and in terms of its potential for future growth.

In this way, after a number of years (2009-13) of negative impacts from the financial crisis, Spain's economy has delivered four consecutive years of growth (2014-17) and the last three at levels above 3%. These figures have put Spain at one of the highest levels in the EU, above the main EU nations and higher than the EU average (3.1% vs 2.6%, 2017). The outlook is similarly bright for Spain according to studies such as those published by the Harvard Center for International Develop-

Figure 1: Principales economías a nivel mundial, PIB - USD ppp



Source: OECD, March 2018

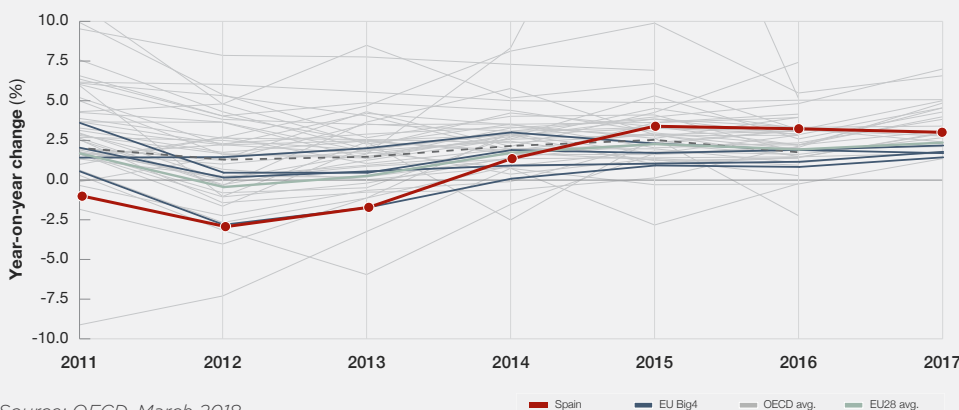
ment³ which forecasts Spain as the number one in Europe and the fourth in the OECD in terms of GDP growth to 2025 (3.8% annually).

There is a close correlation between Spain's GDP (15th globally, 10th in the OECD, and 5th in the EU) and its population (16th globally, 10th in the OECD, and 5th again in the EU). Spain provides access to a population of 46.3m inhabitants and provides access to bubbling talent and intellectual capital.

GDP per capita in Spain has also increased over the last four years, reaching €25k currently. This is in excess of pre-crisis levels and puts wealth-per-inhabitant mid-table among EU countries.

Reforms made to the labour market, such as those which provide additional flexibility, have enabled Spain's economy to recover its competitiveness, contributing to the creation of jobs over recent years.

Figure 2: GDP trends, OECD countries



Source: OECD, March 2018



The growth of Spain's economy has come with the creation of more than 2 million jobs, a current account surplus over five consecutive years - an unprecedented achievement in recent history, and this has also seen a reduction in the public deficit by more than €70bn.

The growth of Spain's economy has come with the creation of more than 2 million jobs, a current account surplus over five consecutive years - an unprecedented achievement in recent history, and this has also seen a reduction in the public deficit by more than €70bn.

Internal drivers such as recapitalisation of balance sheets and banking sector reforms, and external drivers such as the decrease in oil prices, low interest rates and European monetary stimulus measures have all contributed to growth.

In parallel, these external drivers have been crucial to understand Spain's fundamental role in the global economy. Since Spain joined the European Union 32 years ago, its eco-

nomy has benefited from large-scale expansion internationally, and as a result, Spain's share of the global exports and global outward investment is higher than its share of the global GDP. This achievement has been accompanied by a profound transformation of organisational productivity levels. This is put into perspective by (1) companies with over 50 employees now on an equal footing with Big4 and US businesses and (2) companies with 250 or more employees now outperforming these businesses in terms of productivity.

This improving productivity is not well known and helps to reframe views around Spain's economy and its productive, dynamic, diverse and robust business environment.

4.1.2. Market access

Spain's economy is not only relevant in size, but it also offers a significant and a growing level of access to third markets. In essence, foreign trade has played a key role in the recovery of Spain's economy through record levels of goods and services exports year-on-year. This extraordinary export performance has been closely linked to both increased competitiveness and the international expansion of Spanish corporates.

Spain's trade to GDP ratio amounted to 62.8%, higher than countries such as France and the UK and the global average of 58% in 2016. Exports amount to a third of GDP in Spain and makes up 3.2% of the total for the OECD and 1.8% of the world goods export market. This places Spain at number 16 in the world and number 10 in the OECD.

Over the last ten years, Spain's economy has significantly increased its level of foreign trade. Exports of goods and services as a proportion of GDP increased from 22.7% in 2009 to 32.9% in 2016, the third greatest increase in the OECD over the same period. Behind Germany, Spain remains ahead of the other large economies in Europe in terms of exports.

According to the latest data available, Spain's exports have registered eight years of consecutive growth, amounting to €277bn in 2017. Of this, 65.7% was destined for markets of the EU with which Spain maintains a trade surplus. With other countries, 2017 delivered a deficit due to a major increase in total imports (€302bn) and the increase in the price of crude oil. In any case, Spain's trade deficit is offset by the tourism surplus and other export services. Spain is currently the

11th largest exporter of commercial services in the world.

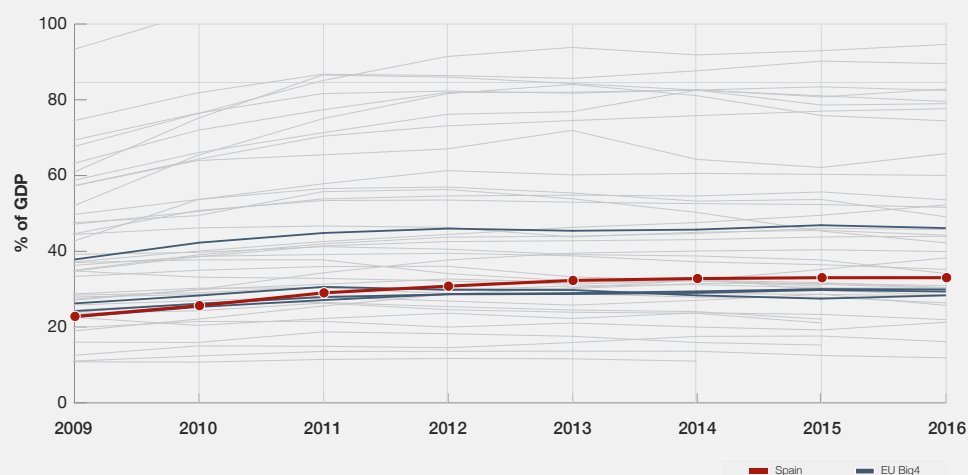
Export growth in 2017 was one of the highest in the EU and the OECD. Goods export sectors are predominantly comprised of equipment, automotive, food and beverage, chemical products and consumer goods.

Spain has also been the only major Eurozone country to maintain its share of foreign trade during the crisis years. Additionally, Spain has diversified its exports into new geographies and sectors.

In parallel the opening up of Spain's economy has also produced a change in mentality among businesses which now make international expansion a strategic priority. This has been reflected in the increase over the last ten years in Spain's export base, the so-called extensive margin, increasing by 65.7% from 97k in 2007 to 161k businesses in 2017. It should also be noted that the number of exporting businesses increased from 30k in 2008 to 51k in 2017.

Despite the increase in the export base, more than 87.8% of Spain's total exports was driven by the 5,000

Figure 3: The trend in exports as a percentage of GDP for selected countries (%)



Source: OECD, March 2018

largest businesses in Spain, c.3% of exporting businesses.

Services in turn amount to approximately one-third of Spain's total good and services exports.

4.1.3. Foreign investment

Spain is in a leading position in terms of ease of access to international investment. According to the OECD's most recent FDI Restrictiveness Index (2016), Spain is the 9th most open economy to inward FDI in the OECD and G20 countries and 4th in the EU. This index summarises each country's restrictions in terms of foreign equity limitations, screenings or approval mechanisms, restrictions on the employment of foreigners as key personnel and operational restrictions -restrictions on branching and on capital repatriation, on land ownership, etc.

According to the latest data available (2016), FDI stocks as a percentage of Spain's GDP amounted to 45.2%. This is higher than the 41.8% of the Spanish

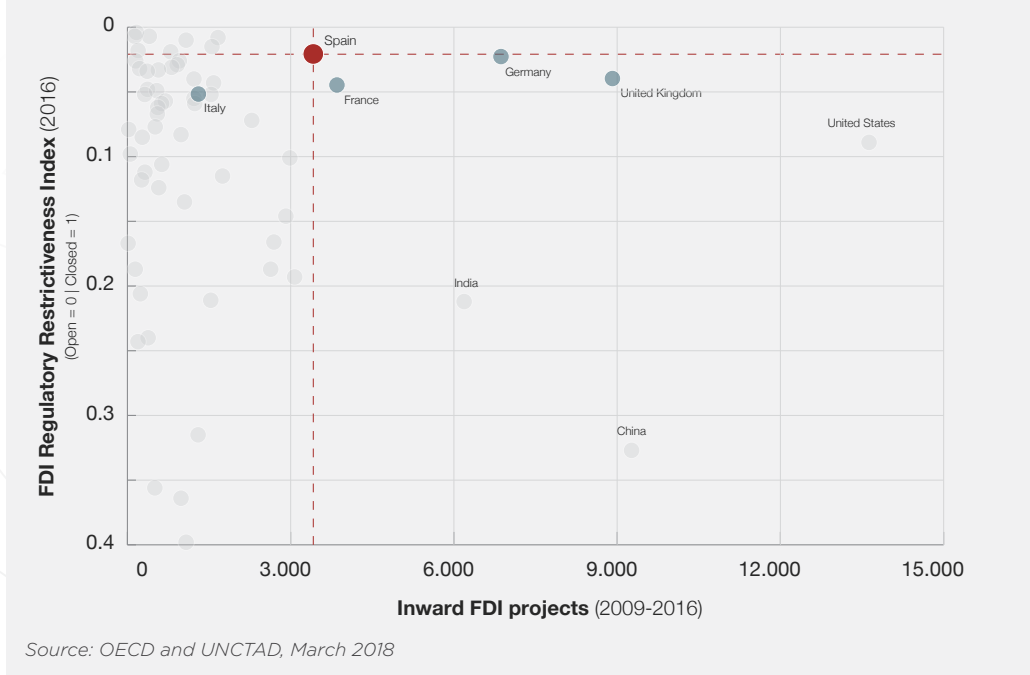
outward FDI stock. These figures also show that on a global level Spain has maintained its 15th place among the main recipients of foreign investment and 13th place among key investors. Inward FDI stocks in Spain amount to 2.1% of the world's total, which is considerably greater than the 0.7% OECD median, and positions Spain at 6th in the EU in terms of cumulative foreign investment.

In terms of FDI flows, the Spain's economy received €198bn between 2009 and 2016 according to UNCTAD, which is higher than the average over the same period for the OECD and the EU.

UNCTAD also highlights that between 2009 and 2016 there were 3,400 greenfield projects, defined as either new investment or overhaul, amounting to an average of 420 projects annually. This ranks Spain 5th among its OECD peers and underlines the attractiveness of the Spanish market to foreign investors, even during periods of economic crisis and global uncertainty.

In terms of FDI flows, the Spain's economy received €198bn between 2009 and 2016 according to UNCTAD, which is higher than the average over the same period for the OECD and the EU

Figure 4: Relationship between FDI Regulatory Restrictiveness Index and Greenfield FDI projects received



Spain boasts an extensive network of businesses with foreign capital across all sectors of the economy and uses a number of regional hubs to co-locate technology, industrial and service companies from which they are also able to serve third markets. According to the latest data available, Spain plays host to 12,338 multinational subsidiaries that employ 1.38m people across all sectors of the economy⁴. The contribution of these subsidiaries to R&D spend is also highly significant, reaching 38.4% of corporate spending on R&D activity in Spain⁵.

Spain is not only attractive for green-field investments and reinvestments in established subsidiaries, but it also offers a high ROI on mergers and acquisitions (M&A). 2017 saw a record

number of transactions in the M&A market in Spain, with a total of 2,185 transactions and with a combined transaction value of €116bn, according to Transactional Track Record (TTR⁶), an M&A database. Real estate was the leading sector with 605 transactions completed with an combined value of €15.7bn.

Spanish start-ups have also been receiving a greater level of international investment recently: more than 60% of their capital increases come from abroad, and these are highly important to their respective funding rounds and exits. Industry experts report that this trend is set to increase based on the increase in transaction volume as well as the higher value of transactions and ongoing maturity of VC funds.



Spain has gone from being a net recipient of foreign direct investment to almost balancing investment volumes received and issued, and in so doing climbing the international investment rankings

In the area of outward FDI, in a relatively short period of barely twenty years, Spain has gone from being a net recipient of foreign direct investment to almost balancing investment volumes received and issued, and in so doing climbing the international investment rankings. As a result of this trend, Spain now has c.2,700 investment companies abroad which control c.8,700 subsidiaries, most of which are top-tier and have a significant share in international tenders.

The largest group of major multinationals operating in Spain is found in the engineering, construction and infrastructure management sector. Outstanding cases are also found in the financial, telecoms, sustainability and renewable energy, hotel groups, biopharmaceuticals and technology sectors. This local strength across a broad number of verticals is particularly relevant to foreign multinationals with interests or competing in these areas: they drive mature and competitive local markets, ensure both present and future globally competitive talent flows, and can be used to leverage access to third markets.

Two further rankings illustrate the importance of Spain's role in international trade: the DHL Global Connectedness Index and the Global Enabling Trade Index, co-published by the World Economic Forum and the Global Alliance for Trade Facilitation.

The first index evaluates the state of globalisation in the world based on each economy's capacity to facilitate the flow of cross-border flows of capital, goods and services, information and people. According to the latest edition of this index (2016), and despite expectations of a slow-down in

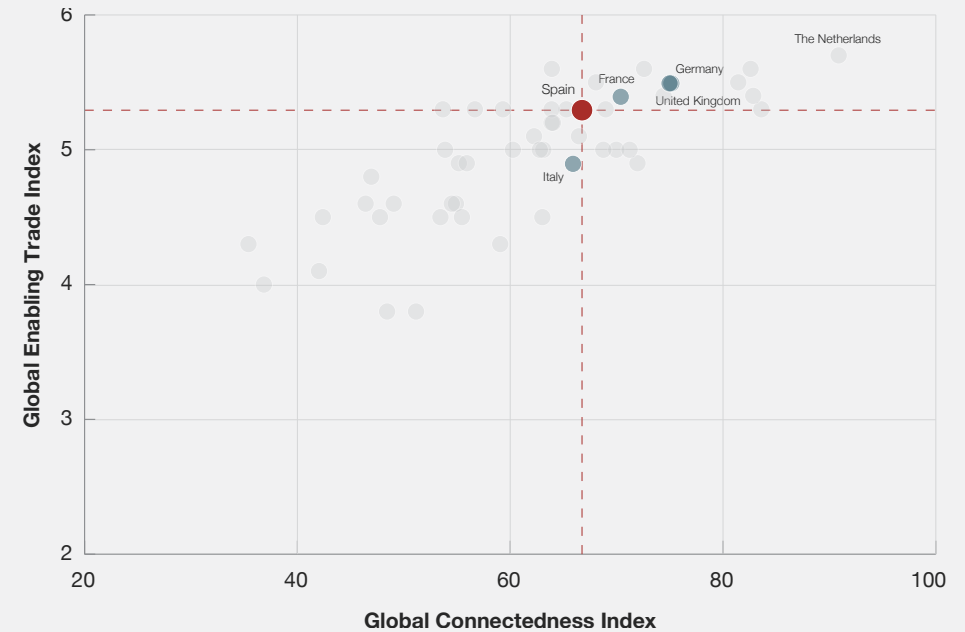
post-crisis globalisation, the evidence shows that the world today is much more connected than in 2005. In this context, Spain ranks 17th among the 50 most globalised countries in the world, the majority of which are OECD countries.

On the other hand, the Global Enabling Trade Index estimates a total of 136 economies for their ability to facilitate trade. Spain stands out significantly in some of the indicators of this index, such as international trade infrastructure (13th out of 136) and the efficiency and transparency and transparency of administrative borders (20th out of 136).

With regard to regional free trade agreements, Spain has the same number of agreements as the other EU members. In terms of investment treaties, Spain has 70 including a number of agreements with Latin American countries.

In addition to these favourable market conditions, in terms of size and openness, Spain has two important

Figure 5: Global Enabling Trade Index vs. Global Connectedness Index



Source: DHL (2016) and WEF (2016)

Spain ranks 17th among the 50 most globalised countries in the world, the majority of which are OECD countries

strategic assets: (1) a high degree of stability, both in economic and socio-political terms, and (2) a first-rate geo-strategic location.

Both factors point to Spain as a country of business opportunities and support strong ROI for a number of reasons, including the following:

- Continued and sustainable economic growth (over 2% to 2020).
- Geopolitical competitiveness as a trading and maritime infrastructure hub, which implies a great opportunity to continue opening new markets in Latin America, Morocco and other north African countries, and the Middle East.
- The substantial opportunity in Spain's digital revolution. With only 38% of companies with a formal digital strategy, this revolution could mean an increase of €120bn in GVA to 2025.

Spain is therefore one of the most important domestic markets with easy access to growing third markets, both in Europe and the Americas. Spain offers substantial opportunities as a gateway to other neighbouring markets thanks to its significant share and traction in the tourism market worldwide. This enables Spain to be a hotbed of ideas and a global showcase for new projects and developments.

4.1.4. Language as an economic asset

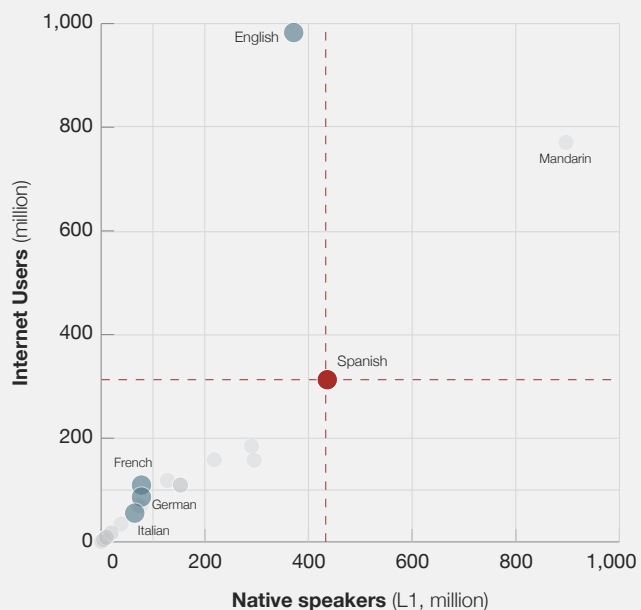
An additional factor in Spain's market attractiveness is its language, its use in business and the potential it offers. The economic importance of a language can be measured by considering variables such as the number of speakers, its geographic footprint, the number countries it has official status, the human development index of its speakers, the domestic market size and access to markets where it is an official language, its inertia in li-

terature and scientific output and its role in multinational diplomacy⁷.

Of all of these, the number of speakers, their purchasing power and international perspective are the three factors that determine the economic power of a language over others. In this sense, Spanish is the second most spoken language as a native (436m) behind only Mandarin worldwide. However it is also second by (i) number of inhabitants, (ii) most studied language, (iii) most used in international communication, and also (iv) content on the internet. Furthermore, if Spanish as a second language were included, the number of speakers would reach 527m, 310 of whom are Internet users.

Highly dynamic businesses such as technology start-ups, online businesses and, in general, advanced and virtual service businesses centre on proximity and communication, and language is a key element of this. Spain is well-positioned to compete on this front. Spanish is a far-reaching working language and this underlines the need to

Figure 6: Main languages by number of native speakers and Internet users, 2017



Source: Sifdi data based on Ethnologue, World Internet Stats

consider the value of this asset. Spain is in a position to become a node in the Spanish-speaking business world and assert its role in Europe and the rest of the World.

4.2. INFRASTRUCTURE DEVELOPMENT

The Global Competitiveness Report published by the World Economic Forum is one of the reference studies for analysing and comparing the competitiveness of countries. In its most recent edition (2017-18), Spain's highest ranking dimension by far is the quality of its infrastructure. The data in this report reflects Spain's prominent position as the 12th most attractive infrastructure investment destination worldwide and the 5th in Europe. In terms of transport infrastructure Spain ranks 11th in the world, 7th among the 50 countries used as a reference group in the report, and 4th in the Europe.

Significant comparative studies in this area also include the latest World Bank ranking on logistics and digital infrastructure⁸, which positions Spain in a strong position globally, (23rd out of 160 countries).

4.2.1. Rail transport

According to data from the International Union of Railways (2018), Spain is a global leader in high-speed rail network, punctuality and fleet versatility. It has the second most extensive high-speed network in the OECD and first in the EU, with nearly 3,000km of track in service. Spain's high-speed railway and experience is a worldwide success story, allowing it to export its technology in railway communications and signalling systems, infrastructure maintenance, traffic management and rolling stock to five continents.

In 2017, Spain's rail network carried 39.7m long-distance⁹ passengers, an

8.1% increase over 2016, over 30m medium-distance¹⁰ passengers and 580m commuters. High-speed services are defined as those with top speeds between 200 and 350 km/h and average speeds above 150 km/h. These accounted for (i) 64% of long-distance passengers, twice the share reached in 2007 and (ii) nearly 24% of medium-distance passengers. Total high-speed passenger numbers amount to c.30m annually¹¹.

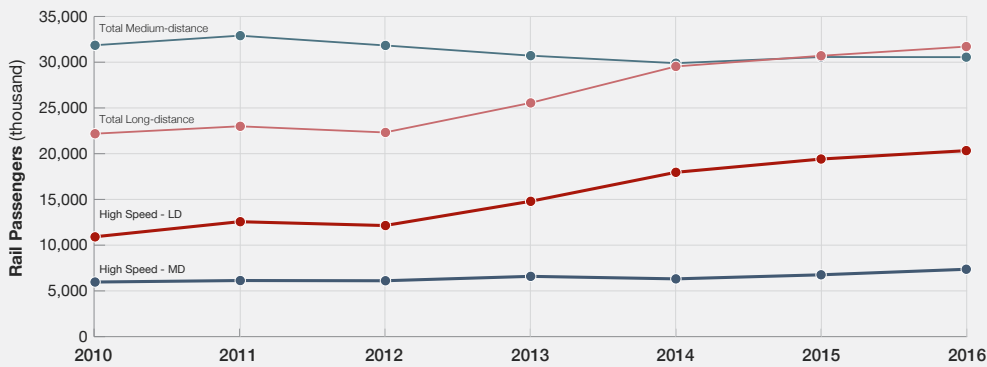
4.2.2. Air transport

In the air transport sector, Spain operates a national network of 46 airports and 2 heliports, in addition to managing other international airports abroad. Its strategic strengths, excellent initial tender positioning and the generation of added-value for airports make Spain's air transport infrastructure a key area of competitive advantage for Spanish business and the visibility of its institutions.

Spanish is a far-reaching working language and this underlines the need to consider the value of this asset. Spain is in a position to become a node in the Spanish-speaking business world and assert its role in Europe and the rest of the World



Figure 7: Trend in the number of medium- and long-distance rail passengers in Spain, 2010-16



Source: Ministry of Public Works and Transport, Rail Observatory in Spain

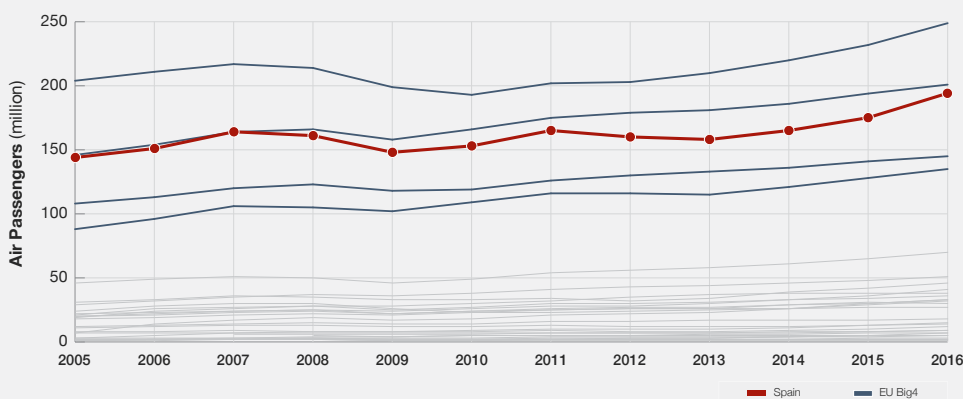
Air passenger traffic at Spanish airports reached 249m in 2017, an increase of more than 8% over 2016. The number of operations exceeded 2 million. By way of comparison, Spain ranks 3rd in the EU in terms of incoming and outgoing passenger

volumes and since 2013 these metrics have been growing substantially more than in the country in 2nd place (Germany). According to the most recent comparable data, in 2016 Spain accounted for almost 20% of air passengers in Europe and saw

Spain ranks 3rd in the EU in terms of incoming and outgoing passenger volumes and since 2013 these metrics have been growing substantially more than in the country in 2nd place (Germany)



Figure 8: The trend in the number of passengers by European country, 2005-2016



Source: Eurostat, 2018

International Air Transport Association (IATA) has recently chosen Spain, Madrid in particular, as the site of its global operations centre, from which 83% of the world's air traffic will be controlled



the highest year-on-year increase the region. Of these 68.6% were EU passengers and a further 14.2% were non-EU passengers. The total number of foreign passengers amounted to 160m in 2016.

Three of Europe's main airports by passenger volumes are located in Spain: Madrid Barajas in 5th place, Barcelona El Prat in 6th and Palma de Mallorca in 13th. Both Madrid and Barcelona airports are among the highest-ranking in terms of quality of service, punctuality and passenger experience¹².

In addition the International Air Transport Association (IATA) has recently chosen Spain, Madrid in particular, as

the site of its global operations centre, from which 83% of the world's air traffic will be controlled.

4.2.3. Road infrastructure

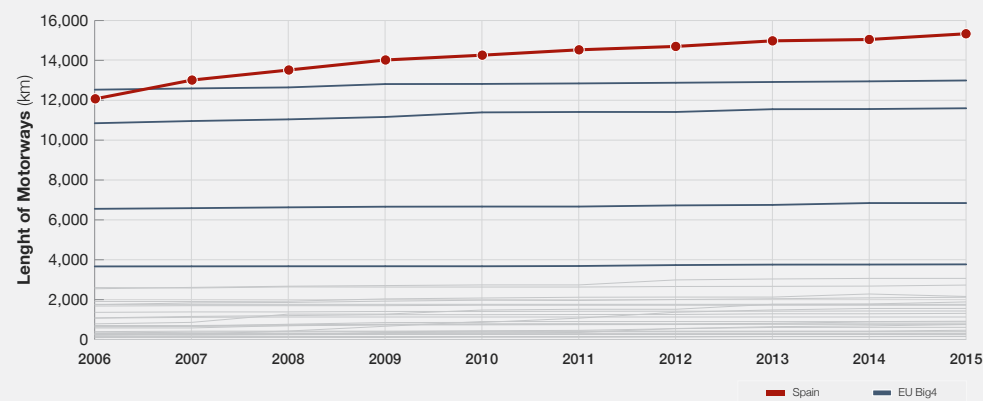
Spain is also a leader in roads with the longest network of motorways in the EU. At over 15,000km Spain is far above the EU-average of 2,800km according to Eurostat. Normalising the data by population, Spain remains among the European leaders, second only to Slovenia.

4.2.4. Sea transport

In the maritime sector, Spain is the second European power in container movement and 11th in the world, with

Spain is also a leader in roads with the longest network of motorways in the EU. At over 15,000km Spain is far above the EU-average

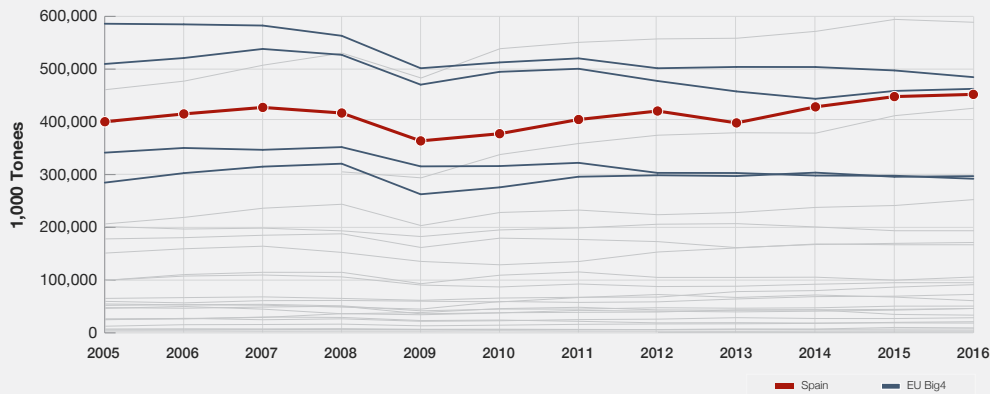
Figure 9: Motorway network length in different European countries, 2006-2015



Source: Eurostat, 2017

11.- Skytrax, World's Top 100 airports.

Figure 10: Maritime goods traffic in European countries, 2005-2016



Source: Eurostat, 2018

an installed capacity of 1 billion tonnes.

Spain has a port system of 46 ports of general interest, which mobilise more than 26 million passengers annual and have freight traffic volumes of over 450 million tonnes. Three of the largest European ports by container volumes are in Spain: Valencia (5th), Algeciras (6th) and Barcelona (14th). It is important to note that maritime freight volumes at Spain's ports have increased by a total of 25% since 2009 or a CAGR of over 3%, the highest among the EU's major countries.

This first-rate transport infrastructure, including the pan-European transport network, comprising both the Mediterranean and Atlantic corridors that connect the Iberian peninsula with central Europe, generates opportunities for new rail traffic and port connections that Spain and companies in Spain should be able to leverage, leveraging their sector expertise, to further strengthen their global leadership.

This global leadership is attractive to large multinationals from other regions, some of which have esta-

Spain is
 the second
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 movement and
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blished their international business headquarters in Spain mainly due to the presence of world-class construction and engineering companies and the opportunity to develop long-term strategic alliances.

This global leadership in infrastructure underlines Spain's 5th position worldwide and 4th in Europe in terms of number of international events and participants, according to the International Congress and Convention Association (ICCA¹³).

The excellent Spanish transport network also allows many foreigners and entrepreneurs to work remotely from Spain. Together with the style, quality and cost of living (see Chapter 4.5), this has made Spain a node for attracting talented and qualified professionals.

4.2.5. International contracts and concessions

The scale of investment made by Spain in transport infrastructure over recent decades has enabled the transformation of domestic transport infrastructure companies into a world reference point. This has been reflected in the major international contracts awarded to Spanish corporates over recent years¹⁴.

Spain is also a world leader in transport infrastructure management. In 2015, the specialist publication, Engineering News- Record (ENR), ranked Spain's infrastructure construction sector second behind China in terms of international turnover with nearly \$60bn in revenue. Spanish companies are positioned ahead of other international players well-known for their experience in the sector including those from USA, France, South Korea and Italy.

Construction and concession companies operating in Spain have a strong reputation abroad and significant in-

ternational presence; six of the twelve largest infrastructure management companies (by number of concessions) worldwide are Spanish and manage nearly 47% of the main transport concessions.

In infrastructure development, five of the top ten leaders in the sector are based in Spain. This is mainly due to their leading technology, ability to in-

Spain is also a world leader in transport infrastructure management



novate, their growing diversification and specialisation.

Together, the companies making up Spain's construction sector have a permanent presence in c.85 countries over five continents while the concession companies manage infrastructure in 27 countries in the Americas, Europe, Asia and Oceania. Spain's engineering and consultancy sector is fully globalised: nearly all of the companies operating from Spain are multinationals and operate in more than 120 countries.

4.2.6. Digital infrastructure

Spain has succeeded in developing excellent digital infrastructure and adoption levels and consumption have spread throughout the population. The World Bank's Digital Adoption Index puts Spain among the leaders in digital adoption by individuals, sharing the top positions with countries such as Norway, Denmark, Iceland and Sweden, significantly ahead of the UK and other major European economies.

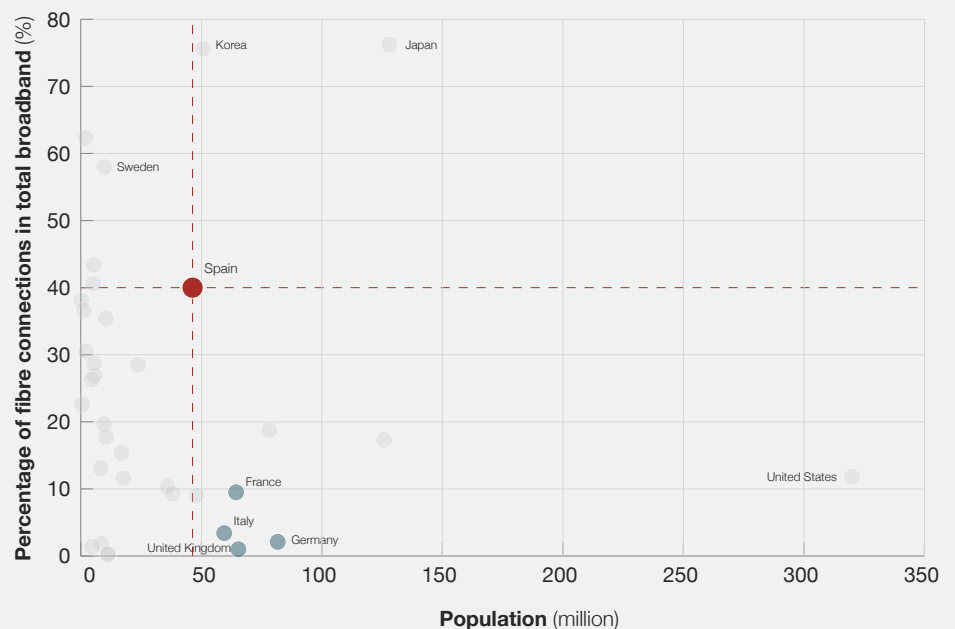
According to the International Telecommunications Union, Spain has a mature, innovative and well-developed telecoms market, with high penetration rates for both fixed and mobile services and a strong focus on the deployment of high-speed networks¹⁵.

The Economist Intelligence Unit also ranks Spain among the leading countries (12th out of 80 countries) in its Inclusive Internet Index¹⁶. This index highlights the availability of infrastructure, its utilisation rate, the cost of access, the level of competition, the relevance of the local language and content in that language, as well as the IT skills of the population.

Internet penetration in Spain in 2007 was one of the lowest in Europe, but a decade later it is a different picture. Over this period, Spain has experienced the strongest growth in Europe and its market size and maturity have made the country one of the most attractive markets for business development and innovation in this field. Spain today is one of the leaders in fibre-to-the-home (FTTH) in terms of both deployment, network coverage and the speed at which it has been achieved.

In addition, Spanish consumers have adopted mobile phones and smartphones at levels not seen in other mature European markets. This has helped some companies to successfully take advantage of mobile-first consumer behaviour and this is likely to be followed by other local and foreign players.

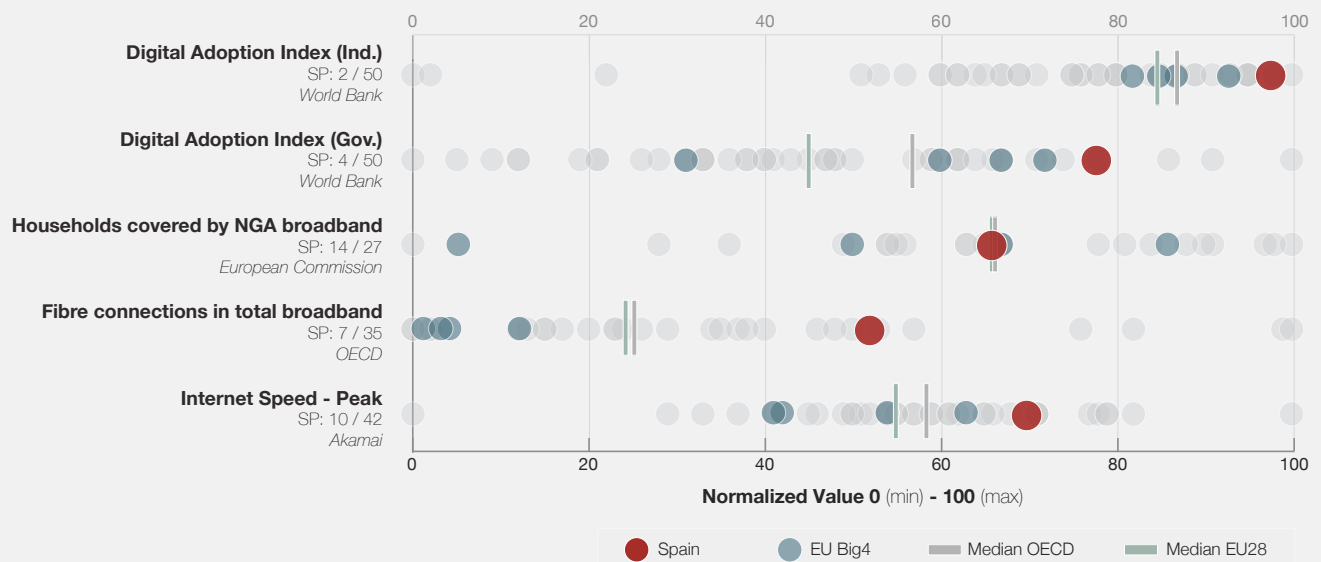
Figure 11: Fibre penetration rates in the OECD as a percentage of total broadband connections, June 2017



Source: OECD, Broadband Portal

In terms of e-Commerce, Spain is already the largest e-commerce market in southern Europe and the 4th largest in the EU. Mobile e-Commerce is registering strong growth in the coun-

Figure 12: Spain's relative position across a selection of key digital indicators



Source: Sifdi analysis based on World Bank, European Commission, OECD and Akamai data

try, with annual increases of close to 30%¹⁷. Growth has been recorded in each of the three main variables: average expenditure per user, percentage of internet users and the proportion of those who buy online.

As a result, in 2015 Spain was ranked among the most attractive world markets for e-Commerce for the first time in A.T. Kearney's Global Retail e-Commerce Index¹⁸. This index offers a combined measure of the size of each online market, consumer behaviour, growth potential and infrastructure. The A.T. Kearney report highlights the connectivity between buyers in Spain, strong infrastructure development, as well as the year-on-year growth expected in the coming years. Logistics was suggested as an area for development as it is one of the main causes of shopping basket abandonment rates. However, this has started to be addressed over recent quarters by disruptive start-ups and large corporates in last-mile distribution.

In conclusion, the country's digital transformation provides substantial investment opportunities in Spain,

both for suppliers and customers, and particularly in the medium-sized business segment. Despite the rapid progress underway, only 38% of companies have an articulated digital strategy which underlines the scale of the untapped opportunity. The digital revolution could lead to a €120bn increase in value-added by 2025.

4.3 TALENT

Without doubt, talent is one of the fundamental factors that define both the competitiveness of companies but also the attractiveness and potential of countries and cities. In many cases, skilled professionals may become the most scarce and often the most expensive resource. Particularly in knowledge-intensive sectors, key location decision criteria for multinationals include the availability and quality of local talent, together with the ability to relocate key staff and any related internal resistance.

Three key factors emerge when evaluating countries in this area: the capacity and resources dedicated to cultivating local talent, the ease of at-

Spanish consumers have adopted mobile phones and smartphones at levels not seen in other mature European markets



tracting and retaining talent, and the quality of skills and knowledge present in the local ecosystem.

With a population of 46 million and an active population of almost half of that, Spain is a key market for generating, attracting and retaining talent.

4.3.1. Talent generation

The Spanish education coverage rate is particularly high: practically all students receive at least 13 years of schooling from 3 to 16 years of age and the upper part of the education pyramid offers an optimal level of development and high levels of efficiency in terms of both public and total education spend¹⁹.

The ability of a country to supply the spectrum of professionals that companies demand is fundamental. Spain is one of the leading countries in Europe in terms of tertiary education attainment with ratios above its peers with the exception of the UK, and delivers comparable qualification levels to its peers. Spain has a very well-trained and internationally recognised workforce especially in terms of graduate and post-graduate professionals.

In fact, the gross enrolment rate in tertiary education in Spain is the 2nd highest in the EU and 5th in the OECD²⁰ on an aggregate basis, and 3rd and 6th respectively in the case of women. The EU's university graduation targets were exceeded in Spain in 2015. Currently 41% of the population between 25 and 34 and 44% of 35-45 years olds have completed their tertiary studies which impacts favourably on the ratios for higher age groups.

4.3.2. Quality and availability

There is now a significant pool of highly qualified graduates from the country's leading universities. Spain

ranks 6th in Europe for science, technology, engineering and maths (STEM) graduates²¹ and is ahead of its main EU peers with the exception of the UK. This explains why Spain ranks 4th in terms of availability of human resources with training and/or experience in science and technology²², following a 18% increase since 2007.

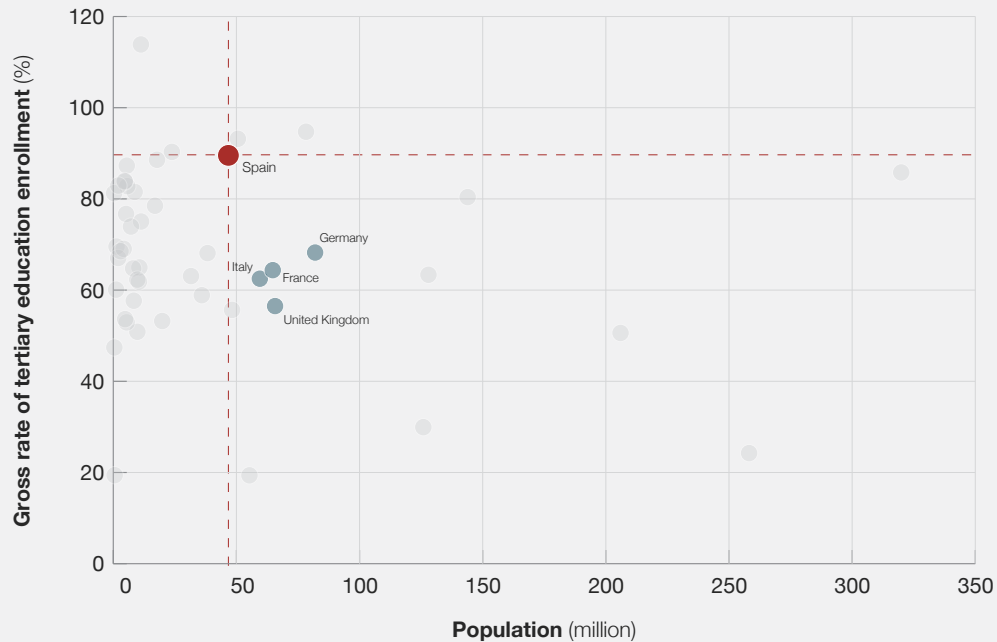
Spain also scores higher than the OECD average and above major European countries, with the exception of Germany, in terms of percentage of ICT graduates over the total number of graduates²³. Spain ranks 7th in the OECD in terms of the absolute number of doctoral graduates each year (10,889²⁴) which is almost twice the number reached in 1998.

University rankings: Spain is also a leader in Europe and the OECD in the university rankings internationally. The Center for World University Rankings' Top 1000 features 40 Spanish universities, ranking Spain 5th in Europe and 7th in the OECD²⁵. By subject, 12 Spanish universities feature in the Top 50 in their respective fields²⁶ following significant improvements in particularly in STEM subjects. Only Portugal and Switzerland have improved more rapidly than Spain.

Of particular note are Spain's business schools. In the international rankings, three schools (IESE, ESADE and IE Business School) are consistently among the top in Europe and in the world in the most reputed rankings. Spain ranks 3rd in Europe and 5th in the OECD for quality of business schools according to the WEF²⁷.

Labour market dynamics for younger generations has changed significantly.

Figure 13: Gross rate of tertiary education enrolment, 2015



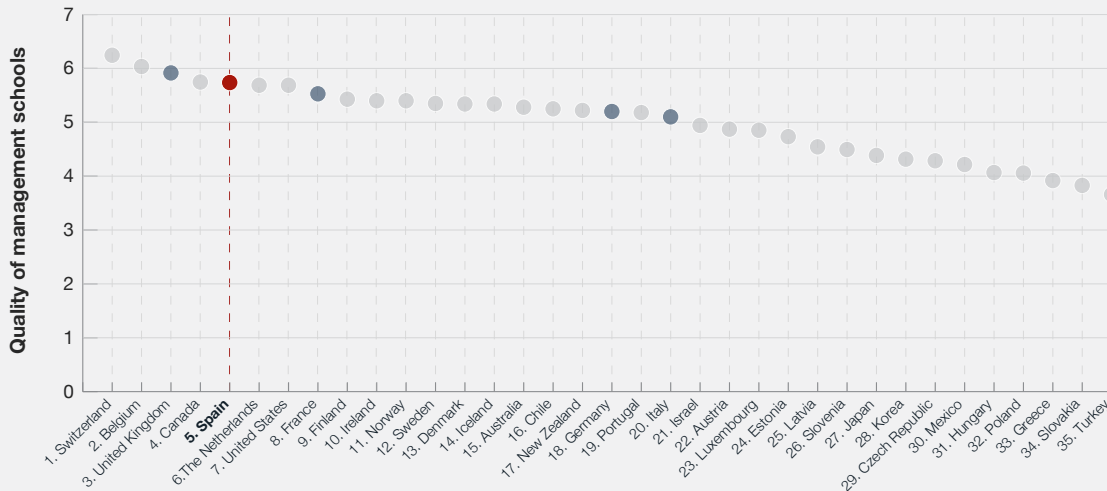
Source: World Bank, 2018

Graduates from Spain's engineering and business schools are increasingly attracted to less traditional alternatives, including joining or founding new technology and internet-driven businesses. This has led in part to record levels of venture capital investment and the establishment of new funds. 40% of employment in Spain is accounted for by medium- and high-technology manufacturing and knowledge-intensive services²⁸. This has increased by almost 5 points since 2008 and has helped to close the gap to Europe's most advanced economies.

Access to technology professionals is becoming one of the main barriers to growth in some countries. In this context, Spain has the lowest incidence in Europe of companies reporting problems finding ICT specialists (17% set against an average of 46% for the countries analysed). This positions Spain 7th out of 24 countries in terms of access to specialist talent.

Spain is one of the leading countries in Europe in terms of tertiary education

Figure 14: Quality of business school in OECD countries, 2016



Source: World Economic Forum

4.3.3. Attraction and retention of talent

A country's ability to attract and retain the new professionals it generates is also a key factor for multinationals, and accentuates differences between countries. The increasing mobility and connectivity between the main business hubs, together with the increasing international competition, forces the need for healthy local ecosystems; These ecosystems need a local base of companies and

institutions and an attractive quality of life that help them anchor talent to the territory. The pressure to generate and maintain talent with the knowledge and resources to meet current and future needs for both business and institutions is expected to continue to grow.

The foreign population in Spain is over 6 million²⁹ which is 4th highest in the EU and 7th in the OECD. Anglo-Saxon countries are the leaders in this area. The trend in Spain is particularly sig-

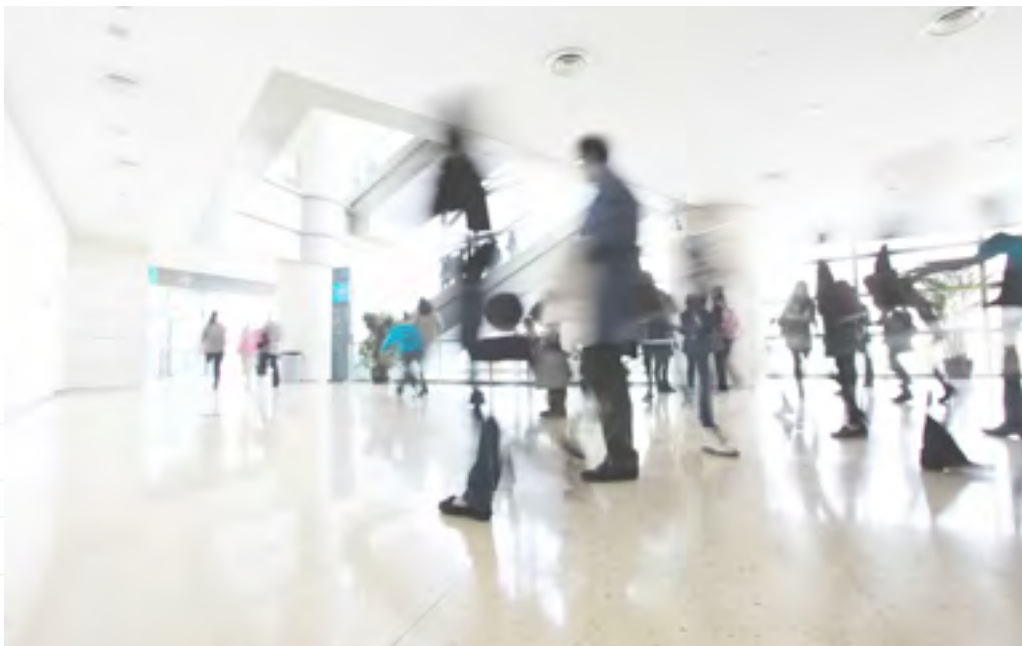
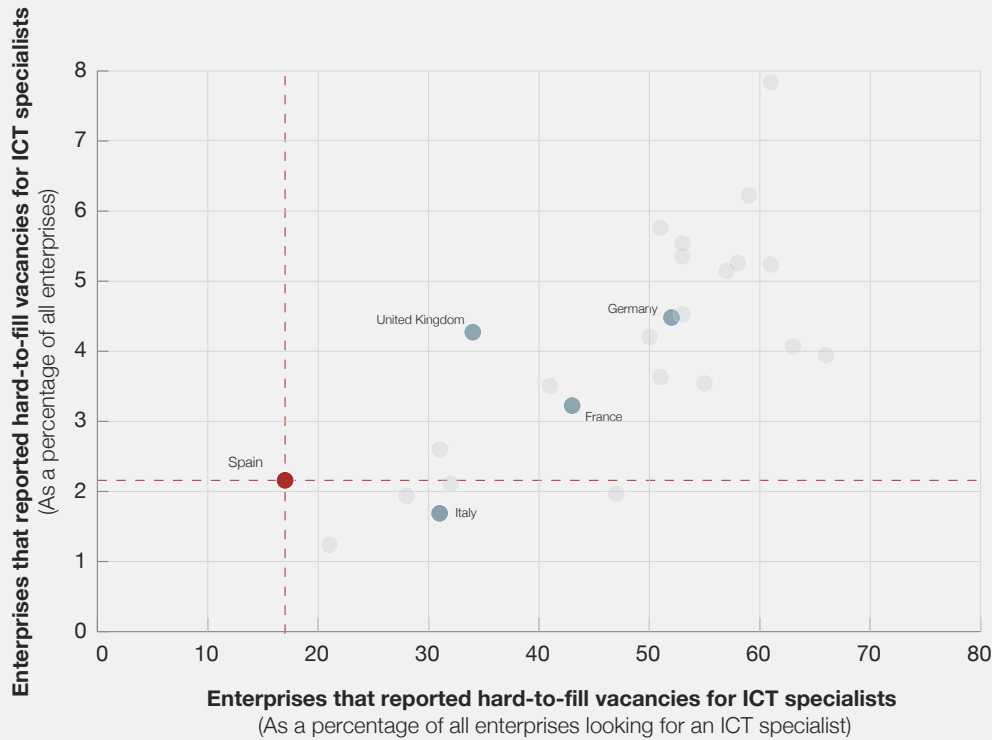


Figure 15: Companies facing difficulties filling ICT vacancies in Europe, 2016



Source: Eurostat, via OECD

nificant. Since the beginning of the century, the foreign population in the country has tripled, despite an adjustment during the economic crisis. This represents an unrivalled increase in the OECD. Spain has a good track record of integrating foreign minorities into society and any associated conflict of doing so is notably absent, underlining Spain's exceptionally high levels of openness and tolerance in Europe and the World.

Currently just over 13% of the population in the country is foreign, with significantly higher proportions present in the large cities across the country.

The Anglo-Saxon countries tend to lead the rankings for attracting talent and international students, but Spain is making special use of its unique attractiveness among the Latin American community. It is extending initiatives to attract foreign students to

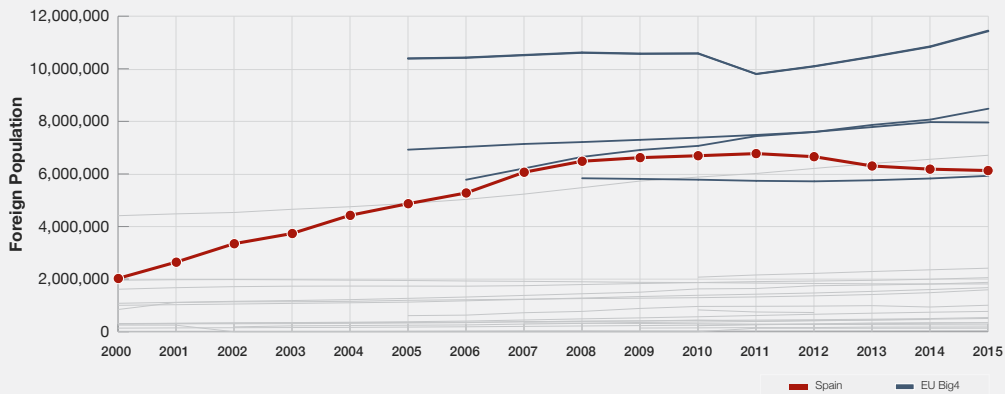
Spanish universities. Business schools are a good example of this: over 50% of their teachers and students are already international, and in cases this reaches 70%.

For over 15 years Spain has also been the number one destination country for European university students to complete part of their higher education through the Erasmus programme³⁰. Of the top 20 receiving universities in Europe, 10 are in Spain. In the 2015-16 academic year, c.45k students chose Spain as their destination through this programme.

Migratory flows are also the result of a complex web of multinational companies and organisations trying to attract the best talent, in a context where governments and other guarantors seek to manage these flows through policy. Multinationals with a presence in Spain are partially responsible for these figures. Although multinationals

Since the beginning of the century, the foreign population in the country has tripled, despite an adjustment during the economic crisis. This represents an unrivalled increase in the OECD. Spain has a good track record of integrating foreign minorities into society and any associated conflict of doing so is notably absent, underlining Spain's exceptionally high levels of openness and tolerance in Europe and the World

Figure 16: Foreign population in OECD countries, 2000-2015



Source: OECD, 2018

* Data for the USA (30.3m in 2000, 43.3m in 2015) has not been included to enhance the clarity of data for the other OECD countries.

Multinationals with a presence in Spain at present they directly employ over 1.4 million people, the 5th largest volume in Europe

represent a small percentage of the number of companies in the country, at present they directly employ over 1.4 million people, the 5th largest volume in Europe³¹.

Spain has national and regional programmes to attract talent in a structured way and in different areas. There are also instruments to support and facilitate rapid access to visas for both displaced foreign workers, investors and entrepreneurial talent.

Spain also has the third most valuable passport in the world³², measured by the number of countries accessible without a visa. This reflects positively on the openness of its society, the ease of access to the international community, and the broadly excellent foreign diplomatic relations it enjoys.

4.4 INNOVATION CAPABILITY

Prosperity, progress and potential economic growth are related to education, the ability to develop new scientific research, technology and innovation, and business leadership in R&D³³. These are also key factors in attracting international, technology-intensive and knowledge-intensive projects.



4.4.1. Research and development

R&D centres may cover a variety of functions: product development, global innovation and rationalisation, etc. The location of R&D centres outside home countries is a relatively recent phenomenon and despite this, today foreign companies account for more than a fifth of business R&D expenditure in most OECD countries, amounting to 38% in Spain.

Spain has become an attractive destination for multinationals looking for established innovation ecosystems for the following reasons:

- The increase R&D financing and personnel expenses between the 1990s and the start of the economic crisis.
- The increasing openness of the ecosystem internationally as indicated by the participation of Spanish researchers and companies in international programmes and projects.
- The growth in scientific output, together with the improvement in quality and its impact overseas.
- Access to advanced infrastructure such as research and technology development centres and first-rate science and technology infrastructure
- R&D capability within universities, public research organisations and R&D centres
- Science, technology and business leadership in strategic areas: biotech, health, energy and ICT.
- Strong exports of medium- and high-tech products and the high efficiency of private R&D investment in creating jobs.

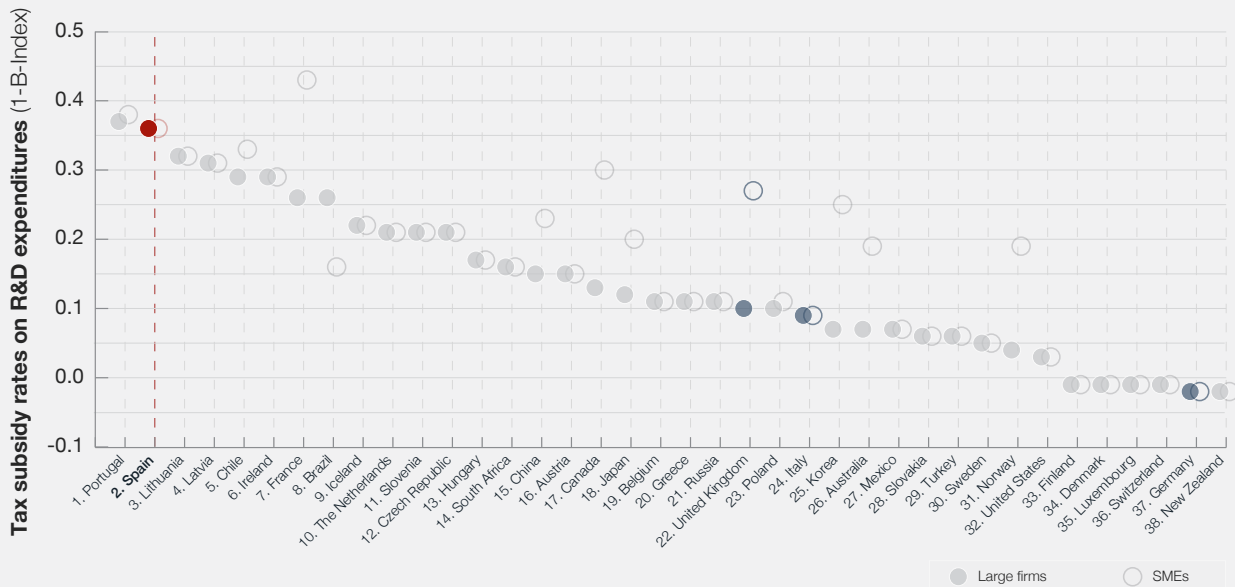
R&D financing, investment and international openness were increased strongly until the onset of the economic crisis. However, in recent years, this growth has strongly affected



by the economic crisis. In 2015, total R&D expenditure amounted to €13bn (1.22% of GDP), with an approximately equal split between private and public institutions (45.8% and 45.2%, respectively). These figures also represent the first year-on-year increase (+2.7%) in absolute terms³⁴ since the beginning of the crisis, and are observed in all sectors (companies, public bodies and higher education institutions).

Personnel employed in R&D³⁵ in Spain last year amounted to c.200 thousand FTEs, or about 1.1% of the total emplo-

Figure 17: Tax subsidy rates on R&D expenditures in OECD countries, 2017



Source: OECD, R&D Tax Incentive Indicators

yed population, of which c.122 thousand were researchers. In the years leading up to the economic crisis (to 2010), year-on-year growth in R&D personnel ranged from 6.5% to 8.1%, and this growth resumed post-crisis in 2015.

The increase in funds raised in Spain via European R&D programmes has been significant. The budget allocated in competitive tenders was close to 10% in the third year of the 8th EU Framework Programme 2014-2020. Within this framework and under the InnovFin programme, a European Investment Bank (EIB) and European Commission initiative, the EIB will provide €1.2bn in finance to R&D projects in Spain, the Bank's largest project in the field of science and innovation.

Another factor to be considered by international companies is the favourable tax scheme incentivising R&D in Spain. This is recognised as one of the most advantageous in the OECD, both for large corporates and for SMEs.

Since the start of the crisis, there has been an increase in the concentration

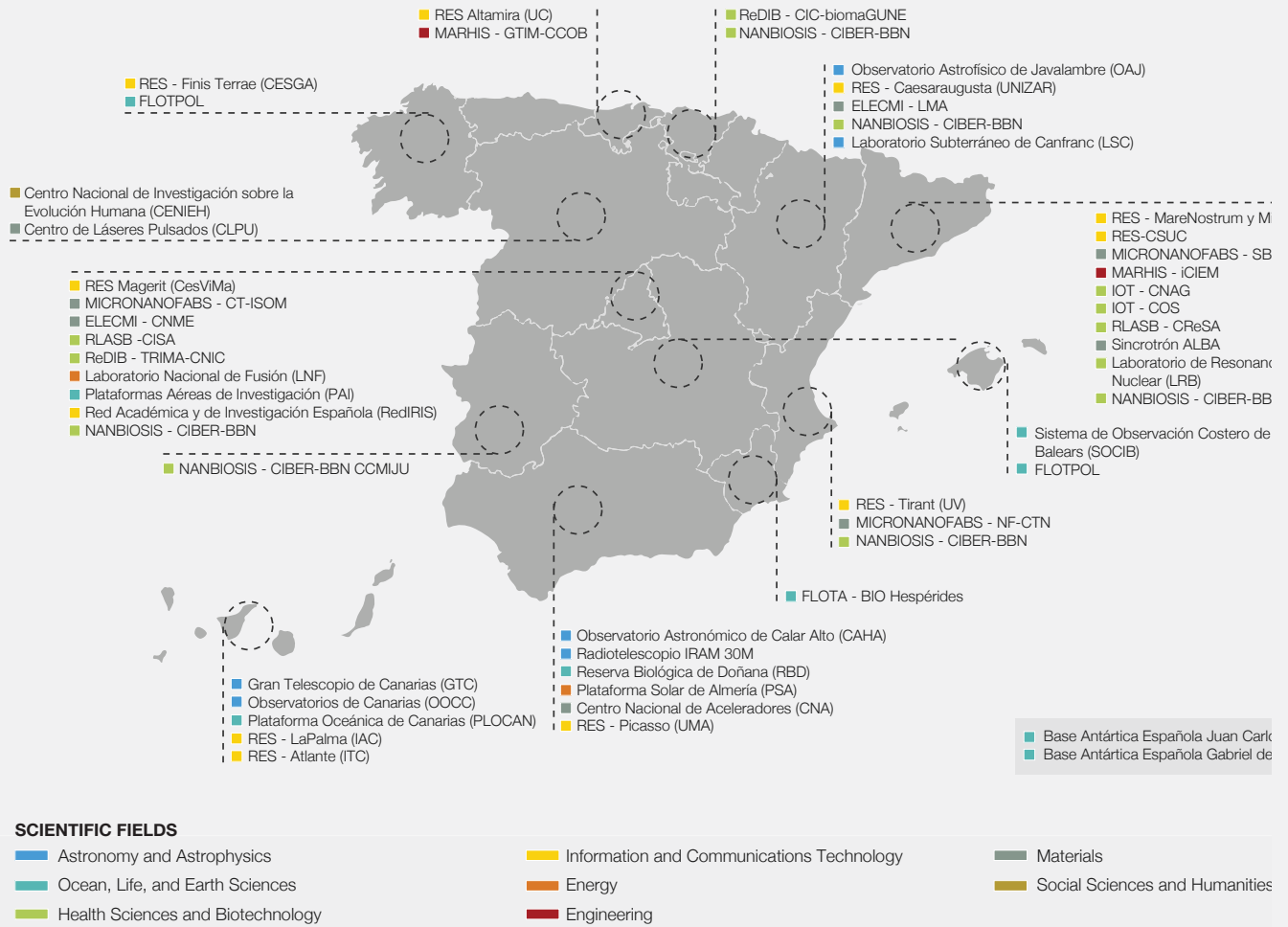
of corporate R&D spending in Spain, but average spending in those companies is increasing. This is in line with global trends: the top 50 companies globally account for 40% of R&D spending, a figure that rises to 53% for the top 100 companies.

Of the 1000 top EU companies by R&D spend in 2017³⁶, 21 were Spanish according to a European Commission study. Beyond its domestic companies, Spain stands out as a R&D investment destination for multinational companies: the 2,000 companies with the highest global R&D spend in Spain, as identified by the OECD, have 5,853 subsidiaries in the country. Measured by the density of these subsidiaries, Spain is 10th place worldwide. This underlines the commitment to investment and R&D activity in Spain by the main foreign multinationals present in the country³⁷.

4.4.2. Innovation

The level of innovation is fundamental for any country as it drives employment, growth and productivity. Innovation spend in Spain amounted to

Figure 18: Map of Singular Science and Technology Infrastructure in Spain



Source: Sifdi, based on information from the Spanish Ministry of Economy, Industry and Competitiveness

€13.6bn according to the latest data available and this grew by 5.5% over the previous year.

According to the national survey on corporate innovation, there are 18,484³⁸ companies that are considered innovators in Spain. Of these, 10.9% are foreign owned³⁹. Of the innovators in Spain with over 250 employees, 32.0% are foreign-owned. These companies mainly operate in high-tech industries and their spend on training, R&D and other technology-driven cost centres are higher than Spanish-owned businesses.

Over the last 10 years, the major Spanish corporates have undergone a profound digital transformation. The Spanish government has allocated €2.5bn to drive ongoing digital transformation from 2015 to 2020 as part of its digital agenda for the country. This agenda is focused on leveraging ICT to promote innovation, economic growth and progress, and seeks to become a catalyst for the modernisation of the economy, particularly of SMEs.

Technology parks play a key role in the economic development and innovation of cities, regions and the



countries that host them. As at the end of 2016, 66 of the main technology parks in Spain were members of the national Association of Science and Technology Parks. The 7,800 companies in Spain's technology parks employ some 161k employees of which c.19% are involved in R&D. The turnover of these companies amounted to €26bn in 2016, and their R&D investment amounted to €1.36bn. Of these companies, 367 are foreign-funded, 23% were classified as being in the ICT sector, and 19% in engineering and consultancy.

Following a contest between Paris, Amsterdam and Sydney, Spain has

hosted the headquarters of the International Association of Science and Technology Parks (IASP) since 1996, at the Andalusia Technology Park (PTA) in Malaga. In the twenty years to 2016, the IASP has grown from 100 members to 400 across 74 countries and plays home to more than 142k technology and innovation companies. Spain also has specifically designated Singular Science and Technology Infrastructure (ICTS) whose facilities, resources and services are utilised for the (i) development of cutting-edge and top-quality research, (ii) the transmission, exchange and accumulation of knowledge, (iii) technology transfer, and (iv) the promotion of

innovation. Within Spain they are unique and form a highly strategic part of the R&D ecosystem.

The 29 ICTS form part of a larger group of 59 centres for innovation which cover the following sectors: astronomy and astrophysics, health sciences and biotech, energy, materials, marine, life and earth sciences, ICT, engineering, and socio-economic sciences and humanities.

4.4.3. Scientific output and results

Spanish science has made spectacular progress in recent decades. Spain represents 0.7% of the world’s population but produces nearly 3% of all scientific publications worldwide and represents 4.9% of annual downloads.

By these measures Spain is the 10th largest scientific power in the world⁴⁰, and has become one of the world’s references when it comes to training top researchers.

This development has not only been positive in terms of volume, but also in terms of quality and international impact. Spain has contributed 13% to the top 10% most highly cited research papers in the world, defined as scientific excellence, while over 50% of publications are in the first quartile in their respective categories. Of the

total scientific output, 47% has been published in collaboration with institutions outside the country and this amounts to 7.7% of such collaborations worldwide⁴¹. This underlines the international impacts that the Spanish research community have been able to achieve.

For years, patents have been the standard measure of innovation performance, but they are not the only indicator in this area. Spain is a country of science but traditional metrics have a certain bias towards technology innovation and production, and Spain, as a service-orientated country does not see its full value reflected in them.

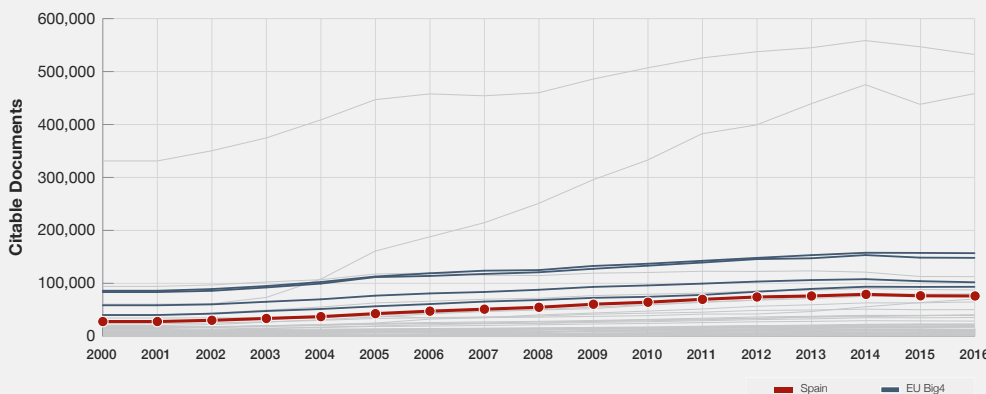
In 2017, private companies and Spain’s public sector filed 1,700 patents with the European Patent Office or 1% of the total. This was a 7.4% increase over 2016, and a record high. This ranks at 16th globally and 11th largest in the EU. With an 7% increase in 2017, it has also reached an all-time high in patent registrations, doubling the number achieved in 2013.

4.4.4. Finance and entrepreneurship

Reports on entrepreneurial attitudes⁴² seem to penalise major European economies. Spain is behind only the UK among those major European economies. Old misgivings about entrepre-

Since the start of the crisis, there has been an increase in the concentration of corporate R&D spending in Spain, but average spending in those companies is increasing

Figure 19: Trend in the volume of research publications by country, 2000-2016



Source: Scimago, 2018

neurship seem to have disappeared in Spain. A growing number of young professionals are finding that entrepreneurship is the best way to learn and succeed professionally. This shift in culture and mentality is not only reflected in surveys but also in the increase in the technology companies founded, with Barcelona and Madrid among the leading European cities by number of start-ups.

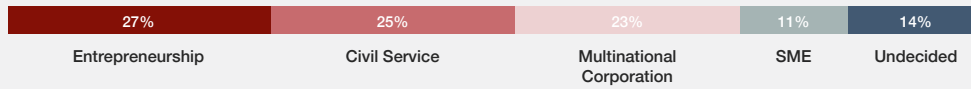
Over the last few years, privately-financed innovation in Spain has grown strongly and reached a level of maturity and an inflection point in 2014 in terms of fundraising, investments and exits. At present, Spain's technology ecosystem continues to advance at a good pace, as reflected in both the increase in the number of start-ups (3,301 in 2017⁴³) and in the levels of VC investment made. Spain is closing the gap with leading European economies both in terms of total and per-capita investment.

2017 once again has seen historic records of venture capital and private equity investments in Spain, continuing the upward trends that began in 2013. In a highly bankable country like Spain, this private capital contributes to (i) more job creation with greater intensity, (ii) increased growth of investee companies, (iii) improved profitability, and (iv) increased production. Their active management input also contributes to creating value, cushioning the effects of downturns, and addressing new market growth opportunities⁴⁴.

Over the last year, Spanish technology companies have completed 372 rounds of financing amounting to €941m⁴⁵. Although the growth in the number of rounds has been linear, the increase in the investment volume is significant thanks to a number of sizable rounds. Spain has become the 5th country in Europe for entrepreneurship and is the only country in Europe with two leading entrepreneurship hubs⁴⁶.



Figure 20: Preferred graduate career paths



Source: GAD3 survey 2016

There is a strong increase in the involvement of foreign funds in Spain's economy. Since 2012, both (i) the number of completed transactions involving foreign funds, and (ii) the capital invested, have risen. They have played a particularly important role in growth and late-stage rounds. This access to international funds, and in cases where domestic funds do not have the scale to continue investing, is one of the keys to the growth and expansion of the ecosystem.

2016 was also a record year for M&A activity in Spain, with a total value of transactions amounting to €3bn. Since 2013, the trend both in the number and total value of transactions has been positive. It is expected that the returns obtained will continue to drive the market over the coming years with a greater level of involvement by financial institutions as the ecosystem continues to mature⁴⁷.

For some years the logic in favour of investing in Spain and other European countries has been strong. These consist of the following: (i) fewer investments per capita than in the United States, (ii) high ratios of technology investment relative to VC investment, and (iii) increasingly better returns for investors in funds⁴⁸, which in turn is expected to increase investor confidence more broadly.

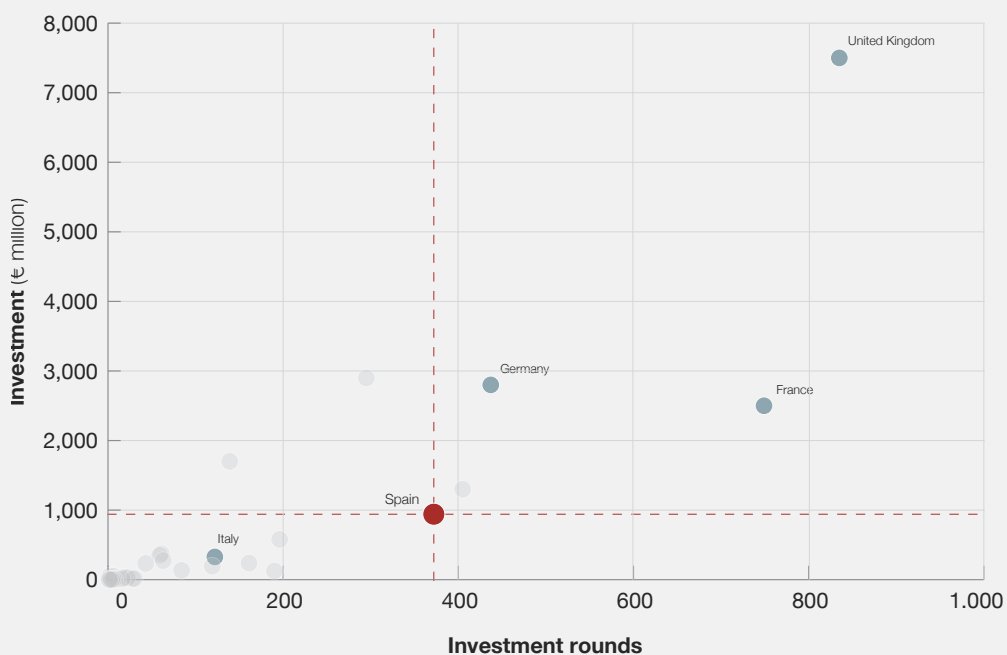
In Spain there seems to be no shortage of innovative startups launched or early-stage financing. However, foreign contributions will continue to be essential to promoting their growth and supporting their expansion internatio-

nally. This capital will require a more active and attractive market for exits, with a greater share of opportunities for large national corporations.

As in most OECD countries, accompanying this increase in private investment, Spain has seen a significant increase in public support for innovation financing programmes, particularly in seed and early-stage rounds. Entities such as the Centre for the Development of Industrial Technology (CDTI), ENISA, ICO and other similar public financing bodies at a regional level have been fundamental in promoting innovation and technology development in Spanish companies. ICO in particular has been particularly instrumental in increasing the capital available for investment in Spain. It has served to attract foreign capital and as well as domestic private capital.

Foreign contributions will continue to be essential to promoting their growth and supporting their expansion internationally

Figure 21: Private equity financing rounds and investment volume, 2017



Source: Dealroom, 2018

4.5 QUALITY OF LIFE

A country's quality of life plays a fundamental role in driving investment location decisions, as well as the attraction and retention of talent, both domestic and foreign.

Spain's work-life balance is one of its main attractions. Among its OECD peers, Spain's attainable work-life balance ranks 4th⁴⁹, and this takes both average time spent at work and, in particular, the quality of time spent on leisure and personal care.

According to HSBC's latest expat survey which assesses countries on economic, experience and family criteria⁵⁰, Spain ranked 17th out of 46 nations and scored highly for health, quality of life, culture, social life, ease of making friends and integration. Other criteria such as tolerance, the quality of education, health services and childcare availability and prices help to bring Spain into the top positions. Expats in Spain experience significant improvements to their personal lives, and highlight aspects of their physical health and general quality of life where Spain ranks first in the survey.

Spain's top cities are some of the most liveable among countries with a similar level of development, performing well on criteria such as travel, domestic transportation, traffic⁵¹, pollution levels⁵² and green spaces.

4.5.1. Health and security

Spain's universal health system guarantees foreign workers and displaced people virtually the same health services as Spanish citizens. This is in stark contrast to certain countries where foreign access to the health system may be limited to emergency services and some primary health care

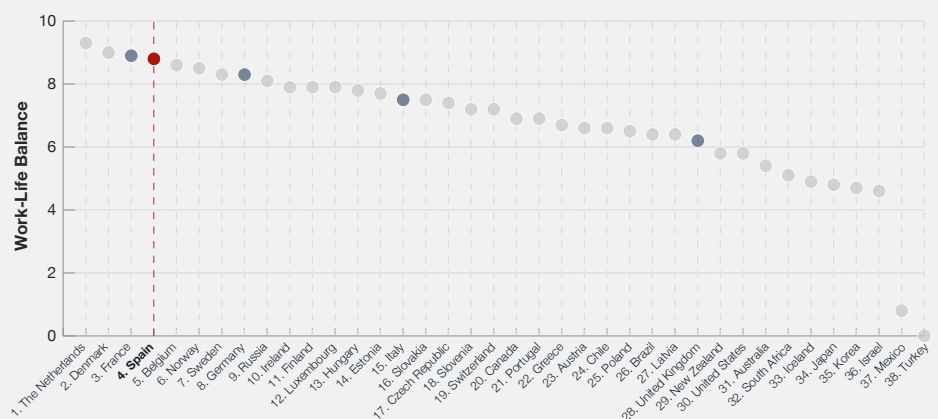
services, and to where migrants are also denied even these rights⁵³.

The efficiency of these services^{54, 55}, together with local habits and the availability of adequate and quality health services, places Spain among the healthiest countries (6th in the World and 5th in the OECD). This translates into one of the highest life expectancies with lower economic and resource expenditures.

In fact, Spain is second in the world and the first in Europe for life expectancy according to the OECD. Life expectancy at birth is currently 83 on average compared to 69 in 1970. Today, women are expected to reach 85.6 years of age and men 80.3. With high levels of social support and one of the best health systems in the world⁵⁶, Spain's life expectancy is 3 years longer than the OECD average.

Spain has been the clear leader in transplants over the last 26 years, and has seen the largest increase in donations over the last three years since records began. It has reached 47 donors per million inhabitants and 5,261 transplants in the last year⁵⁷. Spain's margin over other developed countries is remarkably high⁵⁸. Furthermore, at 101 per million, Spain also has the highest transplant rate per million inhabitants, well above (i) the Euro-

Figure 22: Work-life balance, 2017



Source: OECD, Better Life Index

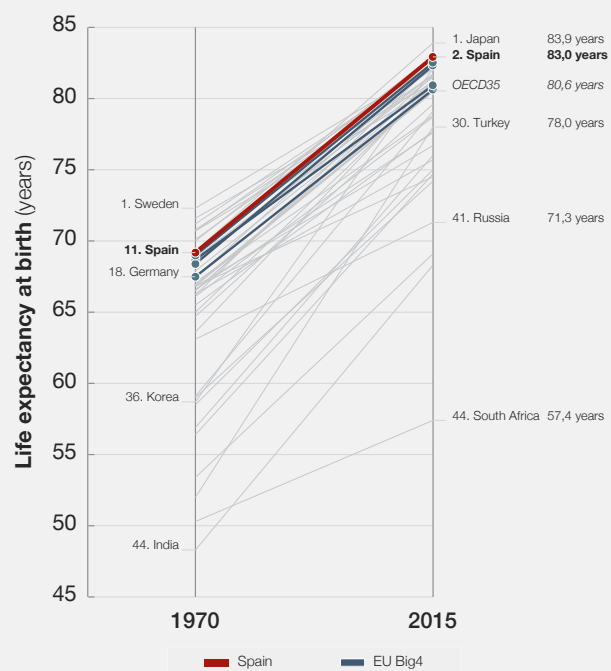


POSITIVE FACTORS FOR FOREIGN INVESTMENT IN SPAIN

pean average of 62 and (ii) 93 for the United States. This reflects the effectiveness and expertise of the health system as well as the charitable nature of the donors.

Spain today is one of the safest countries in the world. The homicide rate in the country is the third lowest in the EU, some 40% lower than the average. The EU is already one of the safest regions of the World, with only 0.65 homicides per 100,000 inhabitants. This is reflected in the character of Spain's population, and its non-confrontational and peace-loving culture. In the same way, and according to the Global Peace Index⁵⁹, Spain is a Top 25 country worldwide. Of 163 countries analysed, 15 are from the European Union with Spain in 23rd place.

Figure 23: Life expectancy at birth, 1970-2015



Source: OECD, 2017

4.5.2. Culture, entertainment and leisure

Spain is number three in the world and number two in Europe for number of UNESCO World Heritage sites, with a total of 46 sites of outstanding universal value and meeting exhaustive cultural or natural selection criteria. Spain has 15 cities on the list, and one of its regions, Castilla y León, has the highest number of sites in the world.

Leadership is particularly strong in the area of natural heritage. Spain is the world's number one in UNESCO biosphere reserves, with a total of 48 across its geography. Spain has once again been well positioned to leverage strong tailwinds in the global tourism market. Increases in the number of international tourists and the total tourist expenditure has helped drive Spain above the United States for the first time. Globally in 2017, the number of international tourists increased by 7% to a total of 1.3bn worldwide. In Spain, growth exceeded the market, increasing by 8.9% in 2017 to 82 million tourist arrivals⁶⁰. Spain's total tourism expenditure amounted to €87bn in 2017, an increase of 12.4% over 2016. Spain is now in second place worldwide, behind only France.

The climate, extensive coastline stretching over 11,000km, and Spanish cuisine are well-known reasons to visit Spain, but it is also clear that many people also visit due to the quality and excellence of the tourism industry, which is the number one in the world.

Spain has been ranked first in the tourism sector for the second time by the World Economic Forum⁶¹, surpassing the other 135 economies analysed in factors and policies that allow for a sustainable development of the tourism and travel sector thanks to a successful mix of cultural and

natural resources, combined with excellent tourist services and infrastructure, air connectivity and government support.

Among the drivers of Spain's world tourism leadership are the unrivalled number of Blue Flag winning beaches awarded by the Foundation for Environment Education⁶². Its assessments include beach water quality, environmental management, safety, services and facilities among other criteria. The country's 579 beaches, 100 marinas and 5 boats, with a total of 684 blue flags, well ahead of its closest competitors: France, Greece, Turkey and Italy, none of which exceed 500 Blue Flags.

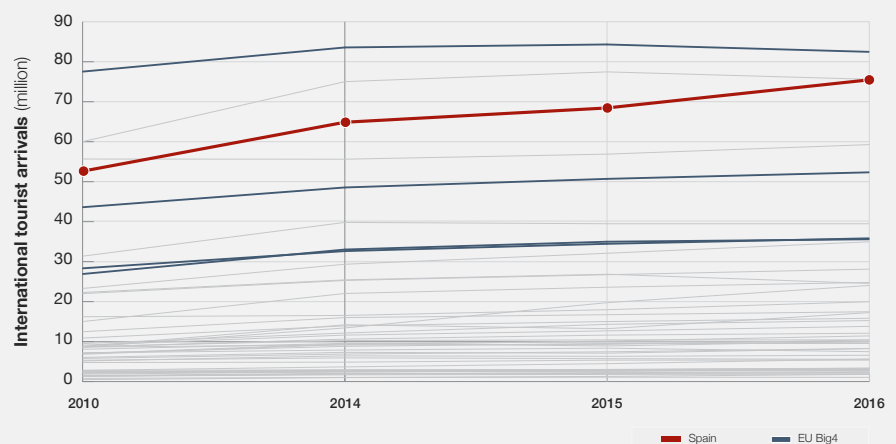
4.5.3. Diversity and tolerance

For many years diversity and tolerance have been considered key ingredients in building innovative teams and to equip organisations to meet the needs of diverse multicultural markets and operations. More recently, diversity has been highlighted as a means to (i) improve the performance and effectiveness of boards of directors, and (ii) influence national and regional strategies across a multitude of domains, from social policy to cultural branding⁶³. Nations thrive on the diversity of talent and skills that underpin the industries and clusters

Spain today is one of the safest countries in the world

Spain is number three in the world and number two in Europe for number of UNESCO World Heritage sites, with a total of 46 sites of outstanding universal value and meeting exhaustive cultural or natural selection criteria

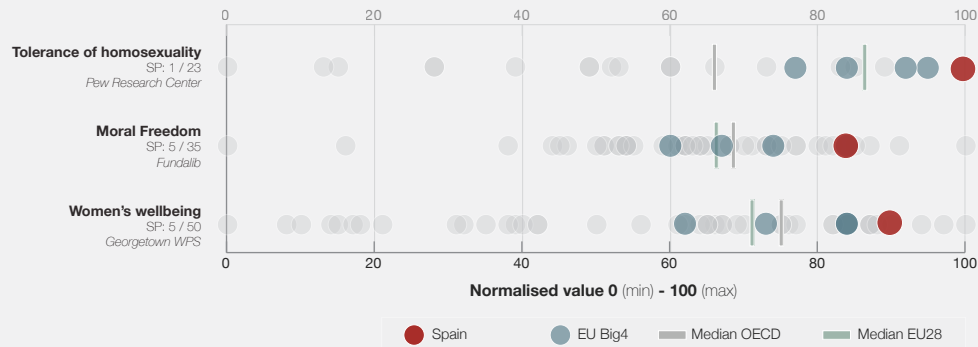
Figure 24: Foreign tourists received by country, 2010-2015



Source: World Tourism Organisation, 2017

Spain is one of the most competitive OECD countries in terms of value, cost and risk

Figure 25: Spain's relative position across a selection of diversity and tolerance indicators (normalised)



Source: Pew Research Center, Fundalib and Georgetown WPS

that characterise the modern, open, economy.

Spain ranks 5th in the world in according to Georgetown University's Women, Peace and Security (WPS) Index. This index offers a comprehensive measure of women's well-being and empowerment in households, communities and general society across 153 countries. According to the Pew Research Center⁶⁴ Spain is also the most tolerant country of homosexuality and one of the world's leading countries in moral freedom⁶⁵ (5th in Europe and the OECD).

Much like other leading countries, Spain stands out for having a peaceful and stable society, scoring highly on (i) inclusion, particularly in terms of women's education and financial inclusion, (ii) low rates of men who believe it is unacceptable for women to work, and (iii) the absence of organised violence.

4.6 COST BASE

The drive to improve efficiency is one of the key decision criteria when multinationals invest abroad, especially those seeking to improve their profitability and competitiveness with such investments. Many investment and business location decision are strongly

influenced by the actual costs of doing business in the host country, both in relation to those in the home country and those in addressable markets under the planned investments.

There are several areas that usually affect international cost comparisons, and these include labour costs, operating costs, tax levels and living costs.

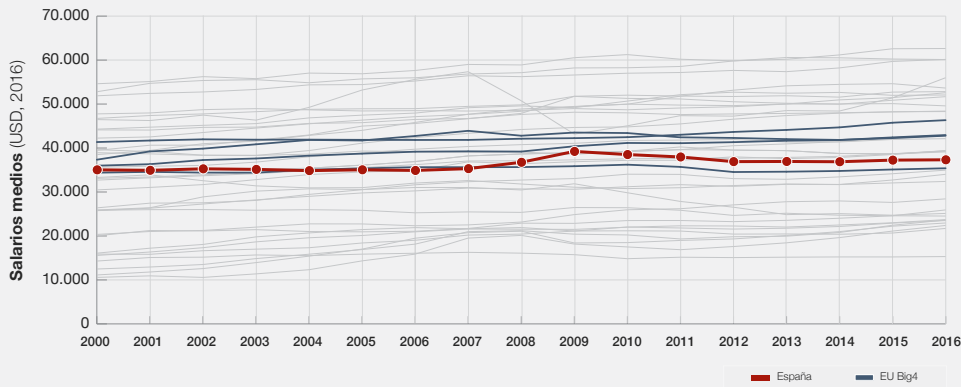
4.6.1. Labour costs

Spain is one of the most competitive OECD countries in terms of value, cost and risk. The country has globally recognised human capital at a reasonable cost. Together with Italy, Spain has one of the lowest average salaries among the main countries and advanced economies of central and northern Europe, both in general^{66, 67} and in technology jobs⁶⁸.

Labour costs in Spain are 29% lower than the Eurozone average (€30/hour) and 16% lower than the EU average (€25/hour) for employers in industry, construction and services, taking both wages and social security into account.

The economic crisis has had a major impact on the containment of these labour costs and has made Spain one of the most cost-efficient locations for production and services output. This

Figure 26: Trend in average wages in OECD countries, 2000 - 2016, USD⁶⁹



Source: OECD, 2018

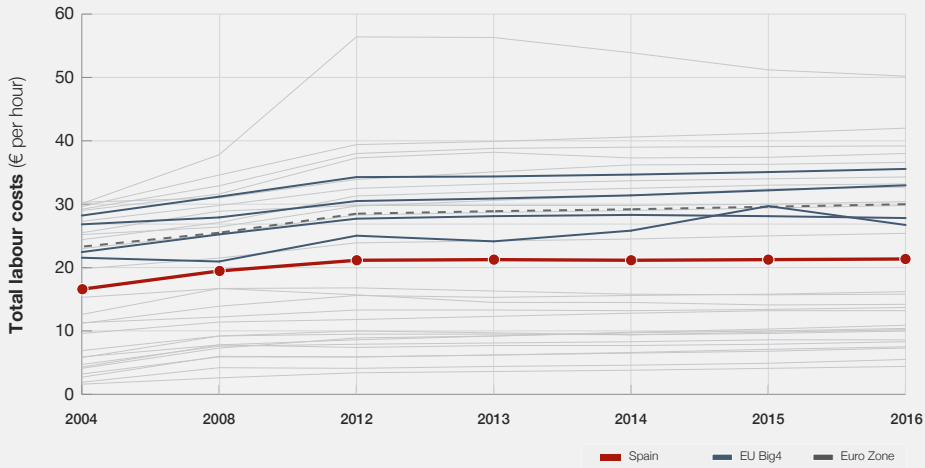
has also enabled companies to deploy their capital with high levels of efficiency and grow with lower degrees of external dependence. The deflation in labour costs along with the labour and other important market reforms have contributed to Spain's ongoing economic growth over recent years. According to both OECD and Eu-

rostat data, Spain has seen one of the lowest increases in salaries since 2008 among its peers, and a clear stability during the 2012-2016 period. This has driven a major increase in the competitiveness of the Spanish economy over the last ten years, and in turn, fuelled the surge in Spain's exports, the arrival of increased foreign



Spain stands out for having a peaceful and stable society, scoring highly on inclusion, particularly in terms of women's education and financial inclusion, low rates of men who believe it is unacceptable for women to work, and the absence of organised violence

Figure 27: Trend in labour costs in Europe, 2004-2016, euro/hour



Source: Eurostat, 2018

investment and a current account surplus which all underpin Spain's present growth.

Spain is positioned as an excellent location for attracting high added value international investments, combining professionals with excellent technical know-how, competitive salary costs, broad flexibility and the ability to attract foreign talent. These are fundamental to success in ever-changing circumstances.



4.6.2. Operating costs

The costs of renting offices are significantly lower in Spain's Tier 1 cities than in other European cities. The price per square metre for prime commercial space in Spain's Tier 1 cities is also significantly lower than those in the major European capitals. This pattern is repeated for Tier 2 cities⁷⁰, which in Spain also have higher vacancy rates than in Tier 1 cities.

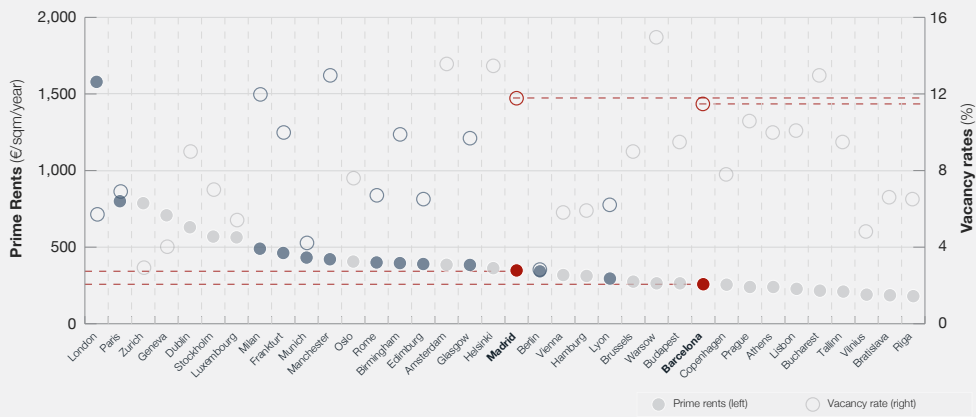
Spain also has large tracts of land available across most of its regions, at prices that are highly competitive following adjustments during the economic crisis. This abundance of land allows any type of industry or service activity to be located in Spain. Furthermore this is actively supported by a regional and local foreign investment support network⁷¹.

Beyond rental costs, electricity costs will be a relevant factor companies with high energy consumption, not only traditional manufacturing companies but also those that focus on server-intensive digital services.

Spain's non-domestic energy costs have decreased by 11% since 2012, are 14% lower than the Eurozone average

The costs of renting offices are significantly lower in Spain's Tier 1 cities than in other European cities

Figure 28: Prime area office rental costs and vacancy rates in major European cities, 2017

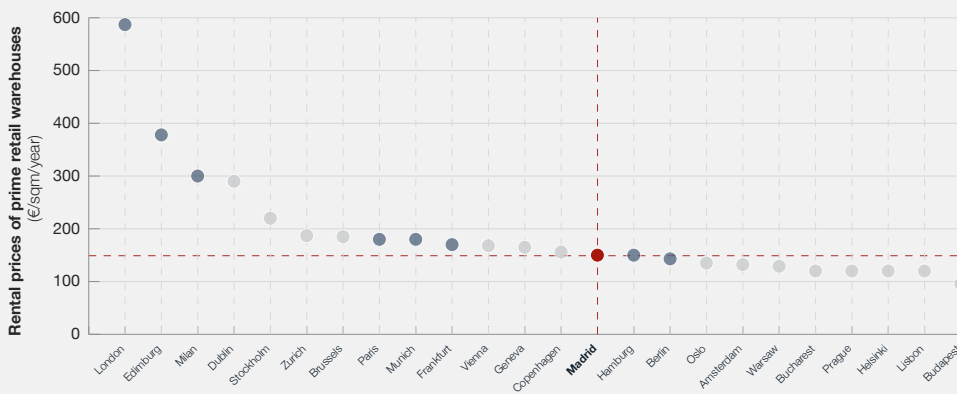


Source: BNP, 2017

This abundance of land allows any type of industry or service activity to be located in Spain

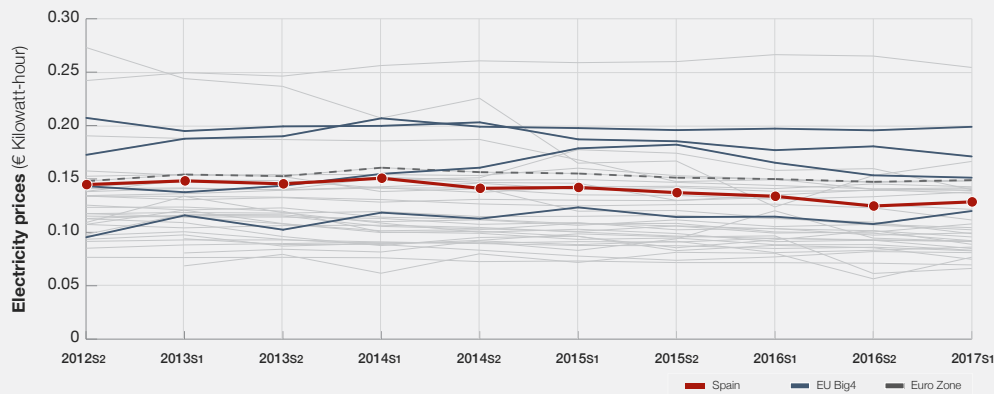


Figure 29: Prime warehouse rental prices in a selection of European cities, T2 2017



Source: Statista

Figure 30: Non-domestic energy costs in Europe, 2012-2017



Eurostat, 2018. Costs include fees and taxes in Eurostat's Band-IC (annual consumption between 500 and 2000 MWh)

This abundance of land allows any type of industry or service activity to be located in Spain

The tax burden in Spain amounts to 47% and is in line with the European average

and are 9% lower than the EU average. Spain's electricity network offers high security and quality of service by highly competitive global operators. By way of contrast, energy costs in Germany, Italy and the UK are 55%, 33% and 18% higher than in Spain.

With regard to communications costs, the downward trend in prices has been a key factor in the increase in consumption over recent years. Prices range considerably across the world. However, the current price comparison data that covers Spain (incl. DESI, OECD, WEF), widely used a reference by organisations and institutions worldwide, does not seem to account for packaged services which account for 97% of the market in Spain according to the communications industry regulator (CNMC) and does not seem to use the most up-to-date market data available. To this extent, it is possible that these data sources overly penalise the highly competitive situation in Spain.

4.6.3. Corporate taxation

When a multinational is looking to invest overseas, the taxation levels and tax systems of the host countries under consideration play an important role in the decision. Both total tax ra-

tes and international taxation should be evaluated in this area.

The World Bank's Paying Taxes initiative is a go-to tax comparison by country. It measures the average tax burden that multinationals must assume in different locations calculated as the ratio between the tax contribution and an adjusted measure of profits, gross of all contribution elements.

According to Paying Taxes, the tax burden in Spain amounts to 47% and is in line with the European average. This is distributed as follows: 11% on profits, 36% on work and 1% on other taxes. On the basis of tax rule performance (measured by regulation, withholding taxes and exemptions for dividends received), Spain is in line with average and is behind of countries such as the Netherlands, Czech Republic, Ireland and Hungary, among others.

The World Bank also evaluates the ease and time required to obtain tax refunds. It uses a synthetic indicator, Distance to Frontier (DTF⁷²), in which Spain ranked 34th out of 190 countries in 2018.

Tax reforms and reductions in corporate taxes help companies to in-

vest and secure investments. In this respect, Spain incentivises certain groups of activities to reduce the corporate income tax burden, which stands at 25%.

Spain also has a favourable tax framework for foreign workers. Expatriates are entitled to a significantly lower fixed personal income tax rate for their first six years. This is subject to conditions including being contractually employed in Spain and not being a resident in Spain for ten years previously.

Another key factor for multinationals are the taxes applicable to the repatriation of profits generated abroad. International tax laws address the systems and regulations that apply to these business activities abroad. Countries such as the United States assess their companies' global profits. On the contrary, there is a tendency around the world to move towards more territorial systems, in which companies only pay taxes on profits earned within the borders of a specific country.

To this end, the Tax Foundation⁷³ offers an index that compares the performance of international tax rule for each country. It evaluates regulations, withholding taxes and exemptions for dividends received. Spain ranks 28th among its OECD peers and is on similar terms to the Big 4 countries.

4.6.4. Cost of living

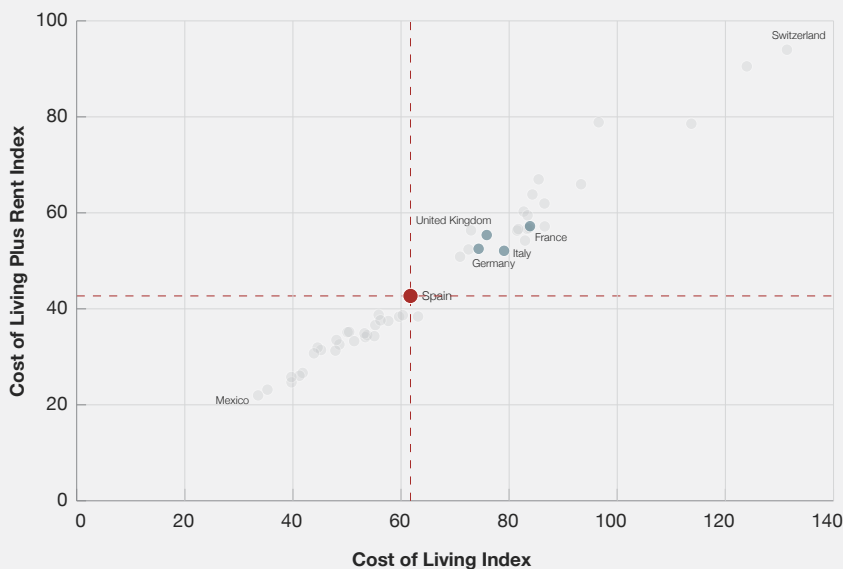
Another key component that impacts a business's operating costs through salary levels for expats and local professionals is the cost of living.

One of the main differences between Spain and other major European countries where technology hubs are based, is its relatively low cost of living. Together with the lifestyle afforded by Spain's major cities helps to attract and retain talent from around the world. Spain maintains a balanced position in indices such as Numbeo Cost of living Index or those produced by Mercer⁷⁴ and UBS⁷⁵ focusing on the needs of expatriates. Spain's cost of living is repeatedly below the mean and its developed world peers.

One of the main differences between Spain and other major European countries where technology hubs are based, is its relatively low cost of living. Together with the lifestyle afforded by Spain's major cities helps to attract and retain talent from around the world



Figure 31: Cost of living index including and excluding rental costs, 2018



Source: Numbeo, 2018. New York =100

Beyond the competitive costs of semi-finished products and consumer goods in Spain, the supply, accessibility, diversity and quality of these products help to differentiate the country from other potential investment destinations. Retail publications recently rated Spain as one of the best countries for consumer value-for-money.

Furthermore, retail pharmaceutical products are also much cheaper in Spain than among its European peers. It is well-known that tourists and expatriates in Spain often send medicine back home to their countries of origin.

4.7 BUSINESS ENVIRONMENT

4.7.1. Institutional and regulatory framework

Spain is among the strongest democracies in the world, according to international democracy indices^{76, 77, 78}.

Membership of the European Union, the world's largest single market and

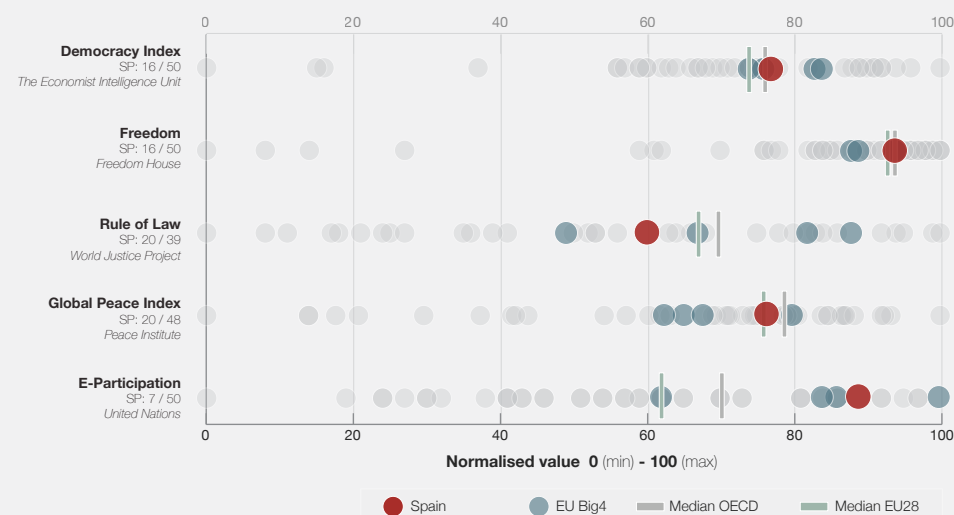
second most widely used currency, favours Spain as a place to do business. It is part of an area where citizens enjoy extraordinary cultural diversity, ideas and traditions, united over an area of four million square kilometres. It is a place where citizens from all walks of life have forged lifelong bonds with other Europeans and are able to travel, study and work across national borders mostly without having to change currency. It is a place where the rule of law prevails, a place that offers its citizens remarkable freedom and stability.

The safety nets such as membership of the EU itself minimise risks for investors. Civil society complies with obligations and contracts and this is a fundamental value of conducting business in Spain.

Freedom House's annual report on political rights and civil liberties around the world, published for over 40 years, also ranks Spain highly at 16th out of the 50 countries analysed. It gave Spain a score of 94 out of possible 100 points. Spain has a stable labour relations framework in

Spain is among the strongest democracies in the world, according to international democracy indices

Figure 32: Spain's position against a selection of normalised institutional indicators



Source: Sifdi analysis based on The Economist Intelligence Unit, Freedom House, World Justice Project, Peace Institute and United Nations data

a social market economy that is open to investors.

On the other hand, promoting citizens' participation in government is one of the cornerstones of Spain's society. It contributes to improving citizens' access to information and public services, as well as involving them in decision making processes. Spain ranks 3rd in Europe and 7th in the OECD in the United Nations E-Participation Indicator following significant increases since 2005 (73rd globally) and 2008 (34th globally)⁷⁹.

4.7.2. Economic climate

Without doubt, broad macroeconomic stability favours economic growth over the medium and long term, and it is a fundamental driver of international investment.

As a result of the economic crisis in Europe and Spain from 2008 onwards, the Spanish government implemented a number of political reforms supported by the European Union while undertaking the necessary market reforms to increase the robustness of the economy as a whole. As a result



The reforms implemented over recent years by Spain have been reflected by an evolution in the international perception of the country's business climate

of these reforms, Spain's markets are highly competitive with leading levels of deregulation for good and services in the European Single Market.

Reforms to the labour market were made in 2012 to increase its flexibility. On the other hand, financial sector reforms have led to healthy levels of solvency and stability and Spanish banks now compete on the world's stage.

Spain's tax system is also one of the most competitive among its OECD peers, with a corporate tax rate of 25%.

Spain's sector policies such as Industry 4.0 and the country's Digital Agenda provide international investors with substantial and diverse opportunities.

The reforms implemented over recent years by Spain have been reflected by an evolution in the international perception of the country's business climate. The World Bank's Doing Business in 2018 is one of the most respected reference studies for analysing and comparing an economy's competitiveness. In this study, Spain ranks 28th out of 194 countries and the distance to frontier (100) is 77⁸⁰.

Spain climbed four places since 2017 when it ranked 32nd. Of particular note,

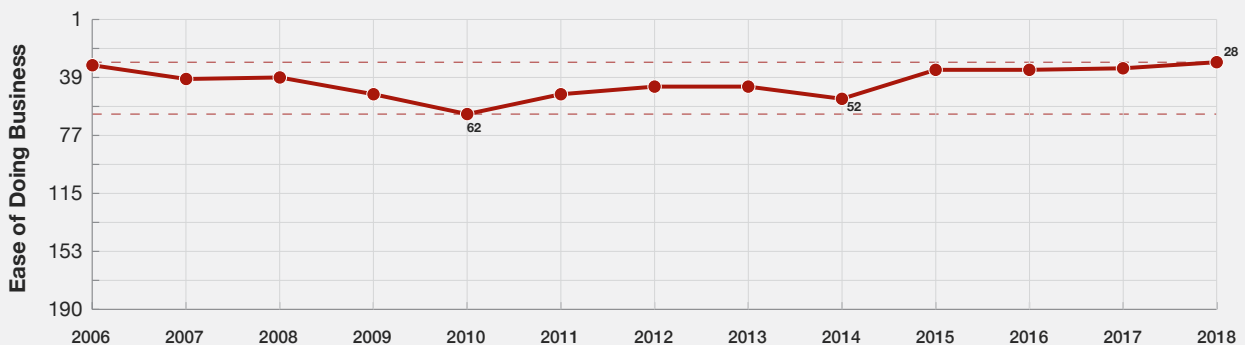
Spain ranked 1st for ease of cross-border trade. The increased competitiveness of the Spanish economy since 2010 has led to an improvement of 34 positions in this ranking over the same period. The latest edition of the report highlights the attractiveness of Spain's reliable infrastructure, skilled workforce, cost-competitiveness, growth of the economy as well as positive and open attitudes.

Foreign-owned companies that have reinvested in Spain have had an extraordinarily positive effect on the value of intangibles in the Spanish economy, a key to increasing competitiveness of the domestic economy⁸¹.

In the EU, Spain leads in economic growth and contributes positively to the consolidation and strengthening of the Union itself. Spain represents a highly competitive economy with exceptional investment opportunities.

According to the Social Progress Index, Spain ranks among the top 16 countries out of 128 in terms of meeting basic needs, welfare and opportunity. Spain also stands out in the European Sustainability Ranking⁸², where it is ranked 1st: 25% of companies that present sustainability reports in the European framework are Spanish, well ahead of Germany in second place.

Figure 33: Spain's performance in the World Bank's Ease of Doing Business Index, 2006-2018



Source: SIFDI analysis, World Bank reports (2006-2018)

Figure 34: Spain's regional investment promotion agencies (IPAs)



Source: SIFDI analysis

4.7.3. Institutional support for FDI

Indices that measure regulatory restraint on foreign investment can also be used to infer institutional support for FDI. To this end, the OECD's FDI Regulatory Restrictiveness Index provides comparable and objective perspectives on factors that may disadvantage foreign investors. It focuses on market access restrictions and how local firms may be treated differently. As mentioned above, Spain is one of the leading 10 countries to have regulations that specifically incentivise foreign investment.

Support for foreign investment in Spain is also delivered through investment promotion agencies (IPAs), which provide support and facilitation to established foreign companies in Spain as well as new companies and investment projects. Spain has a dense support network of investment support agencies across the country: one national body, ICEX-Invest in Spain, and specialised regional IPAs with specific industry and local knowledge. Local initiatives are also





being put in to place at an accelerated pace around the country and reflect the scale of opportunities and ability for Spain's cities to attract international talent and capital for investment projects.

4.7.4. Country brand

The effect of a country's national image on the companies and brands based there and the economy as a whole is well known. In an increasingly global market, the country brand can become a key asset of a country in helping to attract investment, adding value to exports, attracting tourists and skilled workers. Similarly, suboptimal country-brand management or internal events may actively devalue the brand and its influence on companies associated with it⁸³.

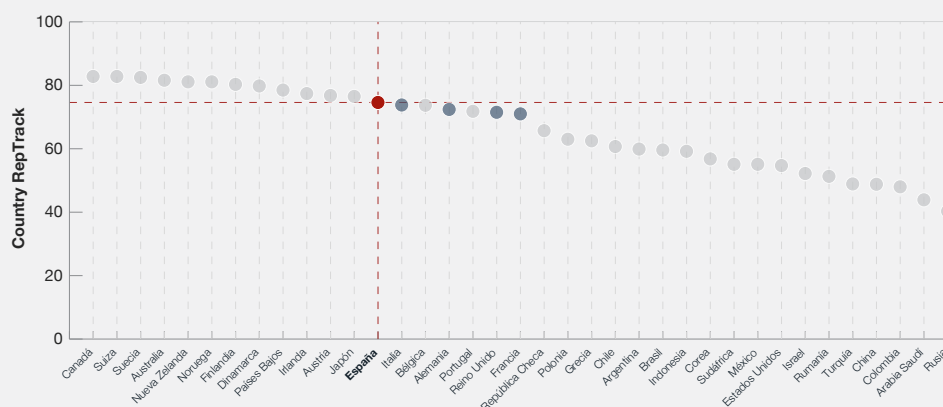
Multidimensional countries, for instance those that reflect a diverse range of qualities, such as innovation, have a brand appeal that propels them to the

global stage. Other intangible country assets are also an essential part of a country's brand value, such as Spain's all-important and well known family support network, social cohesion and solidarity with the elderly.

Brand Spain currently represents valuable asset. Studies in this field highlight a positive development over recent years. According to Brand Finance indicators, Brand Spain's value was the third fastest improving (+46%) in 2017. The country has risen to 13th place in Country Reprtrack's rankings⁸⁴ following a strong improvement during the recovery after the severe adjustments of 2011-13.

Of particular mention, Spain has performed well in Reprtrack's Pulse indicator, which measures the esteem, confidence, respect and general impression that a country is associated with. Spain's score increased by 3.7 points in 2017 and its ranking improved by 4 positions.

Figure 35: Country band value according to Country Reprtrack and Reputation Institute, 2017



Source: Reputation Institute

80- Brand Finance (2017): "Nation Brands 2017", Octubre 2017.
 81- Reputation Institute, Country RepTrak 2017.



interview

IGNACIO SÁNCHEZ VILLARES

*Managing Director
of Leroy Merlin España*



Leroy Merlin is the first company to develop the concept of a large DIY retail outlet in Spain. Having opened its first store on mainland Spain in 1989, it has since opened a further 74 nationwide.

Leroy Merlin employs over 10,600 people in Spain and posted a turnover of €2,046 million for 2017. Since its arrival in Spain it has strongly committed to the developing of the DIY market there.

In terms of our growth, since 2013, Leroy Merlin has been undertaking a complete digital transformation that has seen it become a benchmark in the retail sector. The company pursues a policy of constant innovation and development to further improve customer experience and to adapt to new commercial trends inexorably linked to the digital world. Accordingly, in 2017 its on-line sales amounted to €39.1 million, representing a rise of over 55.9% in comparison to 2016, mainly owing to its omni-channel, customer-focused model in which a single range is readily available over digital channels and retail outlets.

Moreover, with the coming into operation of our new digital platform we hope to reach a figure of 150 million online sessions in 2018.

Company outlook this year is extremely positive as attested to by the fact we will be opening 6 new retail outlets in Spain. Moreover, we are embarking on 4 extension and refurbishing projects in 35 shops. The foregoing will see the company invest €122.1 million and the creation of 800 direct and indirect jobs for the new shops.

Over the 2018-2022 period, Leroy Merlin plans to invest over €600 million in 31 new retail outlets, that will result in the creation of approximately 4,000 direct and 1,500 indirect jobs respectively.

What were the determining factors that led to investing in Spain?

ADEO's first international experience came with the arrival of Leroy Merlin to Spain in 1989. Since then, we have developed and grown to the extent of becoming ADEO's third biggest flagship worldwide.

Setting-up Leroy Merlin in Spain was a sound and sure bet for the group's future. Spain is a country that abounds in talent and closely resembles the original French market. Furthermore, there was a wide range of quality suppliers ready to serve us when we opened here.

All of this made possible our pioneering action in Spain of introducing large stores exclusively dedicated to home DIY.

How is the company structured in Spain at present? What role and weight does Spain play in the overall group structure? What activities are directly managed from the company's Spanish offices?

Leroy Merlin has a decentralised company structure, which affords shops greater room to adapt to the local market, both in terms of products and solutions, while at the same time allowing for maximum business management independence, which in turn leads to speedy and coherent decision-making to meet local market needs. As far as the company's global structure is concerned, Leroy

Merlin España is the third biggest business unit in the ADEO Group.

At present, Leroy Merlin has 74 retail outlets in Spain, all of which are managed with a high degree of autonomy. The over 10,500 employees of Leroy Merlin actively participate in developing the business of their respective shops, largely due to the independence model espoused by Leroy Merlin human resources' policy. The foregoing is accompanied by a firm commitment to the digital environment, so that customers can buy how, where and when they like.

What does a company like Leroy Merlin need to grow in Spain? How dependent is it for this growth on the parent company?

Our sector leadership is based on four pillars: a credit-worthy financial model, a qualified, motivated and committed team, a high quality range of products and an in-depth transformation and adaptation to the Spanish market. The foregoing harnessed into a clear strategic focus: ongoing improvement to our customer experience.

Our parent company lays down the overall lines of action, which are then locally adapted to each market, though we manage our own growth based on the results we achieve in Spain. This positive trend also converts us into a net contributor to Leroy Merlin international expansion.

Parent company confidence in us is based on the soundness of our financial results.

Nevertheless, political and social stability are essential in the country for us to continue receiving the confidence the Group places in us and to maintain its level of investment.

What do you think distinguishes Spain from other group European subsidiaries? And the worldwide ones?

We at Leroy Merlin have always sought to contribute to collective well-being and, thereby, be an important company for Spain. We are keen to impact positively on Spanish society by keeping up our clear and sincere commitment to people and the environment.



Accordingly, by constantly keeping our ears close to the ground as regards our stakeholders, we have established the 2017-2021 Expansion Plan, within the framework of which a centre-city strategy has arisen to enable us to attend to the changing needs of consumers who are demanding

greater geographical closeness.

It should be pointed out that Leroy Merlin España supports and encourages the internationalisation of its suppliers, thus providing them with new global markets to expand their businesses. At present, the company has 1,729 goods suppliers, ranging from local SMEs to big multinational companies, 83.4% of which are Spanish based. The company bought products for a value of €1,250 million, 70.6% of which were sourced from national suppliers in 2017.

What do you see Spain offering Leroy Merlin in the future?

Doing business in Spain offers us access to top quality suppliers, both as regards their products as well as regards the professionalism and responsibility with which they operate.

Spain also offers us a motivated and able team that is highly committed to and involved in making progress. The talent of our teams is essential to continue innovating to meet customer expectations. Our creativity capacity and ability to face up to the challenges of our collaborators opens new doors to us day after day.

But it's not so much what Spain can offer Leroy Merlin, rather the other way around. We continue working to improve day-by-day, with a new organisation, new processes, new technology and new services to be competitive in the retail world and to carry on providing a quality service to our Spanish customers.

interview

JESÚS

SÁNCHEZ BARGOS

President of Thales España



The different activities pursued by the Thales of today in Spain have a long history there, though we should distinguish between those activities conducted by Thomson-CSF, in which the origin of Thales lies, and the Transport, Security and Space activities that were acquired in 2007, and which have great weight for our group in Spain.

Thales is a historical player in the defence sector and a benchmark technology partner for the armed forces, ever since the Thomson-CSF Group opened its first commercial office back in 1967 in Madrid. Moreover, 67 years ago railway activities began at the company, coinciding with different projects on the Spanish railway network.

The year 2007 represented a turning point for Thales on signing a big agreement with Alcatel, which saw the afore-

mentioned Transport, Security and Space activities coming to form part of the company.

Over these last 60 years or more, the different corporate pursuits that go to make up Thales have played a role in the history and developments of our country in those sectors in which we do business.

What were the determining factors that led to investing in Spain?

From our transport business perspective, I believe that the modernising needs and ambitions of the country with respect to its infrastructures make Spain an extremely attractive country for multinationals and start-ups. Integrating Alcatel-Lucent activities considerably strengthened the position of Thales in our country and represented a new thrust to our local presence, thus enabling the Group to take part in

prestigious programmes, and particularly in land and space transport markets, to the extent of converting us into leaders in these activities.

In the field of security and defence, the modernising of our armed forces and the generating of different state security bodies, were considered an interesting investment cycle for a company like Thomson-CSF, a key stakeholder in European defence. Moreover, the French origins of our company and inter-governmental collaboration agreements between Spain and France made it necessary for greater cooperation between both countries in all areas to protect their citizens from the terrorist threat, as well as from cold world scenarios in which there was no world peace stability in Europe.

How is the company structured in Spain at present? What role and weight does Spain

play in the overall group structure? What activities are directly managed from the company's Spanish offices?

Spain is a key country for Thales. Indeed, it is one of the 10 most important countries within the Thales Group. At present, we have different business companies to look after the activities that we manage in our country and in others, given that we are a big exporter in all of our business lines, which are led from Spain.

Moreover, we also have 11 offices here, though we have stable offices in Ankara and in El Cairo as well. All those professionals we have dotted around the world to undertake ongoing projects must also be added to these main offices. Indeed whether in Spain, or abroad, such as Mexico, Egypt, Turkey, Malaysia, Switzerland, Greece, Australia, etc., among others, these projects have Thales España engineers working on them.

What does a company like Thales need to grow in Spain? How dependent is it for this growth on the parent company?

Thales in Spain is a business unit with a considerable amount of independence with respect to our head office, given that from Spain we lead some business segments, but without a doubt, our quantitative and qualitative contribution, at technological level, are key factors in any multinational to gain both independence and credibility. Moreover, the collaboration between the main office and the different countries, many of which are

experts in areas that complement us and with which we must work in constant collaboration, makes it necessary to contribute knowledge, experience and products in a group like Thales.

As far as growth in Spain is concerned, the state's General Budget provisions mean that there is confidence in the investments the country needs in the medium term. However, the commitment of other countries in which we have projects and offices is also essential to be able to continue growing, not to mention the contribution our participation in European projects and initiatives has.



What do you think distinguishes Spain from other group European subsidiaries? And the worldwide ones?

Thales in Spain is a Skill Centre for electronic interlocking, ETCS Level 1 and Level 2 solutions in the railway sector and for medium resolution optical instruments in the space sector.

As far as defence and security is concerned, in addition to its extensive knowledge in radio communications, Thales

España is also in charge of the medium capacity (25 kg) unmanned systems (UAVs) business. Indeed, it was recently named as a Smart Surveillance skill centre, on foot of a system made up of sensors aimed at performing sea and land surveillance and reconnaissance tasks with applications targeting both civil and military use. All of which goes to show that the professionals in our country are skilled enough to take on projects worldwide, wherever any Group unit requires us to work in the aforementioned fields of expertise.

What do you see Spain offering Thales in the future?

I am fully confident that Spain can contribute in addition to a healthy outlook for the current investment cycle, knowledge and technical and professional skills that have become a benchmark worldwide.

Moreover we at Thales España are fully focused on innovation and digital transformation, thus all governmental, regional and business initiatives aimed at making advances in this area is a strong point of attraction for the Thales Group to continue to rely on our country, basically because innovation is the main driving force behind the Thales strategy, needing as it does to be at the forefront of technology and innovation.

Lastly, I must not overlook the network of small and medium-sized enterprises in Spain, which apart from being a reference partner for us, have also become suppliers to other Group units and thus accompany us in our international endeavours.

5

CONCLUSION



THE OBJECTIVE OF THIS REPORT HAS BEEN TO IDENTIFY THE POSITIVE FACTORS DRIVING MULTINATIONALS' INVESTMENT IN SPAIN.

This has been performed by providing up-to-date, true and organised information which contributes to increasing investment by multinationals in Spain and supports the strengthening of the Spain brand as an investment destination.

In this context, 100 positive factors have been presented that profiles the position of Spain within the international investment context. Concisely, this position may be characterised as follows:

- The growth of all of these factors and the potential for yet more growth generate opportunities that are ready to be leveraged.
- Multinational corporates are well-positioned to leverage these opportunities and contribute to Spain fulfilling its potential of its excellent investor climate.
- Spain coordinates technology and talent effectively to produce quality goods and services aimed at an international market
- The growth of the economy, external openness, leading global infrastructure and high-potential talent place Spain as a key player in international investment.



6

APPENDIX 1
COMPARISON
FRAMEWORK**Table 1: Countries included in the comparison**

| Country | Continent | OCDE | UE28 | Population OECD, 2016 1,000 | GDP OECD, 2016 Million USD | GDP per cápita OECD, 2016 USD | GINI Index World Bank, 2015 Index | Area World Bank, 2017 Sq.m | Population density World Bank, 2016 Persons per sq.m | Urban Population United Nations, 2016 % |
|-----------------|---------------|------|------|-----------------------------------|----------------------------------|-------------------------------------|---|----------------------------------|--|---|
| Australia | Oceania | OCDE | | 23.800 | 1.181.218 | 48.243 | 34,7 | 7.682.300 | 3,1 | 89,6 |
| Austria | Europe | OCDE | UE28 | 8.679 | 441.389 | 50.503 | 30,5 | 82.580 | 104,6 | 66,0 |
| Belgium | Europe | OCDE | UE28 | 11.288 | 526.431 | 46.607 | 28,1 | 30.280 | 372,3 | 97,9 |
| Canada | North America | OCDE | | 35.950 | 1.625.361 | 44.793 | 34,0 | 9.093.510 | 3,9 | 82,0 |
| Chile | L. America | OCDE | | 17.763 | 415.398 | 22.727 | 47,7 | 743.532 | 23,9 | 89,7 |
| Czech Republic | Europe | OCDE | UE28 | 10.604 | 367.172 | 34.753 | 25,9 | 77.270 | 136,6 | 73,0 |
| Denmark | Europe | OCDE | UE28 | 5.689 | 280.839 | 49.021 | 28,5 | 42.430 | 135,4 | 87,8 |
| Estonia | Europe | OCDE | UE28 | 1.315 | 39.136 | 29.741 | 34,6 | 42.390 | 31,0 | 67,5 |
| Finland | Europe | OCDE | UE28 | 5.482 | 238.202 | 43.346 | 26,8 | 304.590 | 18,0 | 84,4 |
| France | Europe | OCDE | UE28 | 64.457 | 2.765.543 | 41.364 | 32,3 | 547.567 | 121,7 | 79,8 |
| Germany | Europe | OCDE | UE28 | 81.708 | 4.030.399 | 48.947 | 31,4 | 348.860 | 234,2 | 75,5 |
| Greece | Europe | OCDE | UE28 | 11.218 | 288.418 | 26.746 | 35,8 | 128.900 | 83,9 | 78,3 |
| Hungary | Europe | OCDE | UE28 | 9.784 | 262.042 | 26.701 | 30,9 | 89.620 | 108,7 | 71,7 |
| Iceland | Europe | OCDE | | 330 | 16.807 | 50.012 | 25,6 | 100.250 | 3,3 | 94,2 |
| Ireland | Europe | OCDE | UE28 | 4.700 | 339.478 | 72.485 | 31,9 | 68.890 | 67,9 | 63,5 |
| Israel | Asia | OCDE | | 8.065 | 318.409 | 37.270 | 41,4 | 21.640 | 387,3 | 92,2 |
| Italia | Europe | OCDE | UE28 | 59.504 | 2.326.305 | 38.370 | 34,7 | 294.110 | 206,5 | 69,1 |
| Japan | Asia | OCDE | | 127.975 | 5.359.590 | 42.269 | 32,1 | 364.500 | 348,8 | 93,9 |
| Korea | Asia | OCDE | | 50.594 | 1.872.132 | 36.532 | 31,6 | 96.790 | 523,3 | 82,6 |
| Latvia | Europe | OCDE | UE28 | 1.993 | 50.139 | 25.573 | 35,1 | 62.196 | 31,8 | 67,4 |
| Luxembourg | Europe | OCDE | UE28 | 567 | 59.592 | 102.019 | 31,2 | 2.590 | 219,9 | 90,4 |
| Mexico | L. America | OCDE | | 125.891 | 2.195.195 | 17.953 | 48,2 | 1.943.950 | 64,8 | 79,5 |
| The Netherlands | Europe | OCDE | UE28 | 16.938 | 860.689 | 50.540 | 28,6 | 33.760 | 502,8 | 91,0 |
| New Zealand | Oceania | OCDE | | 4.615 | 180.995 | 38.346 | n.a. | 263.310 | 17,5 | 86,3 |
| Norway | Europe | OCDE | | 5.200 | 307.834 | 58.792 | 26,8 | 365.245 | 14,2 | 80,7 |
| Poland | Europe | OCDE | UE28 | 38.265 | 1.039.744 | 27.058 | 32,1 | 306.290 | 124,1 | 60,5 |
| Portugal | Europe | OCDE | UE28 | 10.418 | 316.027 | 30.606 | 35,6 | 91.500 | 113,1 | 64,0 |
| Slovakia | Europe | OCDE | UE28 | 5.439 | 165.424 | 30.460 | 26,1 | 48.100 | 112,8 | 53,5 |
| Slovenia | Europe | OCDE | UE28 | 2.075 | 67.575 | 32.730 | 25,7 | 20.140 | 102,5 | 49,6 |
| Spain | Europe | OCDE | UE28 | 46.398 | 1.687.613 | 36.318 | 36,0 | 499.040 | 92,9 | 79,8 |
| Sweden | Europe | OCDE | UE28 | 9.764 | 485.284 | 48.905 | 27,2 | 410.340 | 24,1 | 86,0 |
| Switzerland | Europe | OCDE | | 8.320 | 534.903 | 63.889 | 32,5 | 39.522 | 209,6 | 74,0 |
| Turkey | Asia | OCDE | | 78.271 | 2.007.466 | 25.655 | 41,2 | 769.630 | 101,7 | 73,9 |
| United Kingdom | Europe | OCDE | UE28 | 65.397 | 2.798.060 | 42.622 | 34,1 | 241.930 | 269,2 | 82,8 |
| United States | North America | OCDE | | 319.929 | 18.624.475 | 57.591 | 41,0 | 9.161.920 | 35,1 | 81,8 |
| Argentina | L.America | | | 43.418 | 873.448 | 20.453 | 42,7 | 2.736.690 | 15,9 | 91,9 |

Continue...

| | | | | | | | | | |
|--------------|---------------|------|-----------|------------|--------|------|------------|--------|------|
| Brazil | Latin America | | 205.962 | 3.141.333 | 15.243 | 51,5 | 8.358.140 | 24,6 | 85,9 |
| Bulgaria | Europe | UE28 | 7.177 | 137.158 | 19.243 | 37,4 | 108.800 | 66,1 | 74,3 |
| China | Asia | | 1.397.029 | 19.709.788 | 14.338 | 42,2 | 9.388.213 | 146,1 | 56,8 |
| Colombia | Latin America | | 48.229 | 688.817 | 14.130 | 51,1 | 1.109.500 | 43,5 | 76,7 |
| Costa Rica | Latin America | | 4.808 | 76.212 | 15.780 | 48,2 | 51.060 | 94,2 | 77,7 |
| Croatia | Europe | UE28 | 4.236 | 98.768 | 23.678 | 32,2 | 55.910 | 75,1 | 59,3 |
| Cyprus | Asia | UE28 | 1.161 | 27.513 | 32.309 | 35,6 | 9.240 | 125,6 | 66,8 |
| Indonesia | Asia | | 258.162 | 2.852.040 | 11.164 | 39,5 | 1.811.570 | 142,5 | 54,5 |
| Lithuania | Europe | UE28 | 2.932 | 85.652 | 29.862 | 37,7 | 62.680 | 46,4 | 66,5 |
| Malta | Europe | UE28 | 428 | 11.220 | 37.852 | n.a. | 320 | 1349,6 | 95,5 |
| Romania | Europe | UE28 | 19.877 | 452.284 | 22.889 | 27,5 | 229.870 | 86,1 | 54,7 |
| Russia | Europe | | 143.888 | 3.635.868 | 24.855 | 39,9 | 16.380.940 | 8,8 | 74,1 |
| Saudi Arabia | Asia | | 31.557 | 1.756.791 | 54.431 | n.a. | 2.149.690 | 14,7 | 83,3 |
| South Africa | Africa | | 55.291 | 740.923 | 13.301 | 63,4 | 1.213.090 | 45,3 | 65,3 |

Table 2: Dimensions and vectors of analysis

| | Source | Unit | Year |
|---|--|----------------------------|-------------|
| I. MARKET ATTRACTIVENESS | | | |
| I.1. Market size | | | |
| GDP | OECD | Million USD | 2016 |
| GDP per capita | IMF | USD | 2016 |
| GDP projection 2030 | OECD | Average annual change | 2016-2030 |
| GDP Projection 2025 | Harvard | Average annual change | 2016-2025 |
| GINI Index | World Bank | Index | 2015 |
| Population | United Nations | Miles de personas | 2015 |
| The Inclusive Development Index | World Economic Forum | Index | 2018 |
| I.2. Access to external markets | | | |
| Trade as % of GDP | World Bank | Percentage of GDP | 2016 |
| Imports vs. GDP | OECD | Percentage of GDP | 2016 |
| Exports vs. GDP | OECD | Percentage of GDP | 2016 |
| Percentage of total exports | OECD | Percentage of OECD exports | 2016 |
| Acceso a mercados europeos | IMF, CEPII | | |
| I.3. Foreign Investment | | | |
| FDI Regulatory Restrictiveness Index | OECD | Index | 2016 |
| Inward FDI Stock | UNCTAD | Percentage of GDP | 2016 |
| Outward FDI Stock | UNCTAD | Percentage of GDP | 2016 |
| Percentage of global inward FDI Stock | UNCTAD | Percentage of total Stock | 2016 |
| Greenfield projects | UNCTAD | Projects (2009-2016) | 2009 - 2016 |
| Inward FDI flows | UNCTAD | Million USD (2009-2016) | 2009 - 2016 |
| FDI Confidence Index | A.T.Kearney | Index | 2017 |
| Participation in GVC | OECD - TiVA | Percentage of exports | 2011 |
| Global Connectedness Index | DHL | Score (0 a 100) | 2015 |
| Global Enabling Trade Index | WEF & Global Alliance for Trade Facilitation | Index (1 a 7) | 2016 |
| I.4. Language as an economic asset | | | |
| Native speakers | Ethnologue | Million speakers (L1) | 2017 |
| Internet users per language | World Internet Stats | Million Internet users | 2017 |

Continue...

Table 2: Dimensions and vectors of analysis

| | Fuente | Medida | Año |
|--|--|----------------------------------|------|
| II. INFRASTRUCTURE DEVELOPMENT | | | |
| II.1. Transport infrastructure | | | |
| Transport Infrastructures | WEF, Global Competitiveness Report | Index (1-7) | 2017 |
| LPI Logistics Performance Index | World Bank | Score | 2016 |
| Motorway network length | Eurostat | Km | 2015 |
| Road quality | WEF, Global Competitiveness Report | Index (1-7) | 2017 |
| High-speed rail network | UIC | Km | 2018 |
| Air passengers | Airports Council International | Passengers | 2016 |
| Maritime goods traffic | Eurostat | 1,000 tonnes | 2016 |
| Quality of Energy provision | WEF, Global Competitiveness Report | Index (1-7) | 2017 |
| ICCA | ICCA | | 2016 |
| II.2. Digital Infrastructure | | | |
| ICT Development Index | ITU | Score | 2017 |
| Internet users | OECD | Percentage of population | 2017 |
| Broadband subscribers | World Bank | Percentage of population | 2016 |
| Mobile broadband subscribers | OECD | Per 100 inhabitants | 2016 |
| Digital Adoption Index (Individuals) | World Bank | Index (0-1) | 2016 |
| Digital Adoption Index (Government) | World Bank | Index (0-1) | 2016 |
| Standard fixed broadband coverage | DESI | Percentage of households | 2017 |
| Percentage of populated areas coverage by 4G | DESI | Percentage of households | 2017 |
| Households covered by NGA broadband | DESI | Percentage households | 2017 |
| Percentage of fibre connections | OECD | Percentage of BB connections | 2016 |
| Peak Mbps | Akamai | Mbps | 2017 |
| eCommerce volume | eCommerce Foundation | Percentage of GDP | 2017 |
| Global Retail E-Commerce Index | A.T.Kearney | Score (0 - 100) | 2015 |
| Global Connectedness Index | DHL | Score (0 a 100) | 2015 |
| Global Enabling Trade Index | WEF & Global Alliance for Trade Facilitation | Index (1 a 7) | 2016 |
| III. TALENT | | | |
| III.1. Talent generation | | | |
| Education spending (public) | OECD | Percentage of GDP | 2014 |
| Education spending (total) | OECD | USD per student | 2014 |
| Quality of the education system | WEF, NRI | Index (1-7) | 2015 |
| PISA - Maths | OECD | Average score | 2015 |
| PISA - Reading | OECD | Average score | 2015 |
| PISA - Science | OECD | Average score | 2015 |
| Top Universities | CWUR | Universities in the Top 1000 | 2017 |
| Gross Tertiary Graduation Ratio | World Bank | Percentage of population | 2015 |
| Gross Tertiary Female Graduation Ratio | World Bank | Percentage of population | 2015 |
| STEM tertiary Graduates | Eurostat | Percentage of population (20-29) | 2016 |
| ICT University graduates | OECD, DEO 2017 | Percentage of total graduates | 2015 |
| Doctoral graduates | OECD | Number of doctoral graduates | 2014 |
| Quality of business schools | WEF, NRI | Index (1-7) | 2015 |
| III.2. Quality and availability | | | |
| Active population | OECD | Thousands | 2017 |
| Unemployment rate | OECD | Percentage of active population | 2017 |

Continue...

| | | | |
|--|--------------------------------|-----------------------------------|------|
| Population with tertiary education | OECD | Percentage of population | 2016 |
| Human Resources in Science and Technology | Eurostat | Thousands | 2016 |
| Human Resources in Science and Technology | Eurostat | Percentage of Population | 2016 |
| English levels | Eurostat, EF Proficiency Index | Score (0 - 100) | 2017 |
| Gender Pay Gap | OECD | Percentage of salary | 2015 |
| World Talent Ranking | IMD | Score (0 - 100) | 2017 |
| Global Talent Competitiveness Index | INSEAD | Score (0 - 100) | 2018 |
| Global Human Capital Index | WEF | Score (0 - 100) | 2017 |
| Hard-to-fill vacancies for ICT specialists | OECD, DEO 2017 | Percentage of enterprises (total) | 2016 |
| Hard-to-fill vacancies for ICT specialists | OECD, DEO 2017 | Percentage of enterprises (ICT) | 2016 |

III.3. Attraction and retention of talent

| | | | |
|--------------------------------------|--------------------------------------|--------------------------|------|
| Foreign population | OECD | Percentage of population | 2015 |
| Employment in foreign companies | Eurostat FATS | Employment | 2015 |
| International University students | UNESCO, OECD - Education at a Glance | Percentage of students | 2015 |
| Incoming foreign Erasmus students | European Commission | Number of students | 2016 |
| Incoming foreign University students | Eurostat | Number of students | 2016 |
| Country capacity to attract talent | WEF, NRI | Index (1-7) | 2017 |
| Country capacity to retain talent | WEF, NRI | Index (1-7) | 2017 |

IV. INNOVATION CAPABILITY

IV.1. Research and development

| | | | |
|---------------------------------------|---------------------|--------------------------------------|------|
| Global Innovation Index | INSEAD, WIPO | Score (0 -100) | 2017 |
| European innovation Scoreboard | European Commission | Relative performance | 2016 |
| Research and development expenditure | World Bank | Percentage of GDP | 2015 |
| Research and development expenditure | OECD | Per capita | 2016 |
| Business expenditure in R&D | OECD | USD Million | 2015 |
| Government expenditure in R&D | OECD | USD Million | 2015 |
| World's top R&D investors | European Commission | Enterprises in the European Top1000 | 2017 |
| R&D expenditure of foreign affiliates | OECD | Percentage of total R&D expenditures | 2015 |
| Researchers in R&D | World Bank | Per million people | 2015 |

IV.2. Scientific output and results

| | | | |
|---|----------|----------------------------------|------|
| Total patent applications | WIPO | Patents per 1,000 people | 2016 |
| Scientific production | Scimago | Citable documents | 2016 |
| World's top R&D investors' subsidiaries | OECD | Number of subsidiaries | 2014 |
| Funds from abroad on R&D | OECD | Percentage of total expenditures | 2015 |
| Gov't procurement of advanced tech | WEF, NRI | Index (1 - 7) | 2016 |
| Tax subsidy rates on R&D expenditures | OECD | 1-B Index | 2017 |

IV.3. Finance and entrepreneurship

| | | | |
|--|------------------|--------------------------------|------|
| Venture Capital investment | DealRoom | EUR Million | 2017 |
| Venture Capital investment | DealRoom | EUR Per Capita | 2017 |
| Private Equity investment | Invest in Europe | EUR Million | 2016 |
| Private Equity investment | Invest in Europe | EUR per capita | 2016 |
| Availability of Venture Capital | WEF, NRI | Index (1-7) | 2016 |
| Enterprise birth rate | Eurostat | Percentage of enterprises | 2015 |
| Enterprise survival rate | Eurostat | Percentage of enterprises | 2015 |
| Total Early-stage Entrepreneurial Activity | World Bank, GEM | Percentage of 18-64 population | 2016 |

Continue...

Tabla 2: Dimensiones y vectores de análisis

| | Fuente | Medida | Año |
|--|--------------------------------------|----------------------------------|------|
| V. QUALITY OF LIFE | | | |
| V.1. Living environment | | | |
| Expatri Explorer Survey | HSBC | Position in the ranking | 2017 |
| Congestion level | TomTom | Congestion level | 2017 |
| Mean population exposure to PM2.5 | OECD | Micrograms per cubic metre | 2015 |
| Work-life balance | OECD, Better life index | Score (0 a 10) | 2017 |
| V.2. Health and security | | | |
| Healthcare efficiency | Bloomberg | Score | 2016 |
| Health grade | Bloomberg | Health score | 2017 |
| Life expectancy at birth | OECD | Years | 2015 |
| Life expectancy at birth | OMS | Years | 2015 |
| Health and social employment | OECD | Density per 1 000 population | 2015 |
| Donors and transplants | Organización Nacional de Trasplantes | Transplants per million | 2016 |
| Intentional homicide | Eurostat | Per hundred thousand inhabitants | 2015 |
| Security index | Numbeo | Score | 2018 |
| V.3. Culture, entertainment and leisure | | | |
| World Heritage List | Unesco | Heritage sites | 2017 |
| Biosphere Reserves | Unesco | Reserves | 2017 |
| Travel and Tourism Competitiveness Report 2017 | WEF | Index (1-7) | 2017 |
| Blue Flags | FEE | Blue Flags | 2017 |
| International tourists | World Tourism Organization | International tourist arrivals | 2016 |
| International tourists | World Tourism Organization | International tourism receipts | 2016 |
| V.4. Diversity and tolerance | | | |
| Global Views on Morality | Pew Research Center | Percentage of respondents | 2014 |
| Libertad Moral | Fundalib | Percentage | 2016 |
| Women Wellbeing | Georgetown Institute for WPS | Index (0 a 1) | 2014 |
| VI. COST BASE | | | |
| VI.1. Labour costs | | | |
| Average wages | OECD | USD | 2016 |
| Labour costs per hour | Eurostat | EUR | 2016 |
| Redundancy Costs | World Economic Forum | Weeks of salary | 2018 |
| VI.2. Operating costs | | | |
| Prime rents | BNP | EUR/m2/year | 2017 |
| Vacancy rates | BNP | Percentage | 2017 |
| Rental prices of prime retail warehouses | Statista | €/m2/year | 2016 |
| OECD Fixed Broadband basket | OECD | USD | 2017 |
| OECD Fixed Broadband basket | Eurostat | EUR | 2017 |
| VI.3. Corporate taxation | | | |
| Total Tax and Contribution Rate | World Bank and KPMG | Percentage | 2018 |
| International Tax Competitiveness Index | Tax Foundation | Score (0 a 100) | 2017 |
| VI.4. Cost of living | | | |
| Cost of living index (Excl. Rent) | Numbeo | Index | 2018 |
| Cost of living index (Incl. Rent) | Numbeo | Index | 2018 |
| Prices: Housing, local rent | UBS | USD | 2015 |
| Prices: Housing, expat | UBS | USD | 2015 |

Continue...

| VII. BUSINESS ENVIRONMENT | | | |
|--|---------------------------------|------------------------------|------|
| VII.1. Institutional and regulatory framework | | | |
| Doing Business | World Bank | Index (Distance to Frontier) | 2018 |
| European Quality of Government Index | European Commission | Index (0 a 100) | 2017 |
| Democracy Index | The Economist Intelligence Unit | Score (0 a 10) | 2017 |
| Freedom in the world | Freedom House | | 2018 |
| Rule of Law Index 2017-2018 | World Justice Project | Score (0 a 1) | 2018 |
| Corruption Perception Index | Transparency International | Score (0 a 100) | 2017 |
| Human Freedom Index | CATO Institute | Score (0 a 10) | 2017 |
| World Competitiveness Report - Institutions | WEF, GCR | | 2018 |
| Political stability and absence of violence | World Bank | Score (0 a 100) | 2016 |
| E-participation Index | United Nations | Score (0 a 1) | 2016 |
| Global Peace Index | Institute for Economic Peace | Score | 2017 |
| VII.2. Economic climate | | | |
| WCR - Macroeconomic environment | WEF, GCR | Index (1-7) | 2018 |
| WCR - Financial market development | WEF, GCR | Index (1-7) | 2018 |
| Social Progress Index | Social Progress Imperative | Score (0 - 100) | 2017 |
| 3. Institutional support for FDI | | | |
| Investment Promotion Agencies | | | |
| Incentives for investment | | | |
| 4. Country brand | | | |
| Country brand value - Brand Finance | Brand Finance | Million USD | 2017 |
| Country RepTrak | Reputation Institute | Score | 2017 |

7

APPENDIX 2 LIST OF FIGURES AND TABLES



7.1 LIST OF FIGURES

Figure 1: Spain among the world's largest economies, GDP USD PPP

Figure 2: GDP trends, OECD countries

Figure 3: The trend in exports as a percentage of GDP for selected countries (%)

Figure 4: Relationship between FDI Regulatory Restrictiveness Index and Greenfield FDI projects received

Figure 5: Global Enabling Trade Index vs. Global Connectedness Index

Figure 6: Main languages by number of native speakers and Internet users, 2017

Figure 7: Trend in the number of medium- and long-distance rail passengers in Spain, 2010-16

Figure 8: The trend in the number of passengers by European country, 2005-2016

Figure 9: Motorway network length in different European countries, 2006-2015

Figure 10: Maritime goods traffic in European countries, 2005-2016

Figure 11: Fibre penetration rates in the OECD as a percentage of total broadband connections, June 2017

Figure 12: Spain's relative position across a selection of key digital indicators

Figure 13: Gross rate of tertiary education enrolment, 2015

Figure 14: Quality of business school in OECD countries, 2016

Figure 15: 2016 Companies facing difficulties filling ICT vacancies in Europe, 2016

Figure 16: Foreign population in OECD countries, 2000-2015

Figure 17: Tax subsidy rates on R&D expenditures in OECD countries, 2017

Figure 18: Map of Singular Science and Technology Infrastructure in Spain

Figure 19: Trend in the volume of research publications by country, 2000-2016

Figure 20: Preferred graduate career paths

Figure 21: Private equity financing rounds and investment volume, 2017

Figure 22: Work-life balance, 2017

Figure 23: Life expectancy at birth, 1970-2015

Figure 24: Foreign tourists received by country, 2010-2015

Figure 25: Spain's relative position across a selection of diversity and tolerance indicators (normalised)

Figure 26: Trend in average wages in OECD countries, 2000 - 2016, USD

Figure 27: Trend in labour costs in Europe, 2004-2016, €/hour

Figure 28: Prime area office rental costs and vacancy rates in major European cities, 2017

Figure 29: Prime warehouse rental prices in a selection of European cities, T2 2017

Figure 30: Non-domestic energy costs in Europe, 2012-2017

Figure 31: Cost of living index including and excluding rental costs, 2018

Figure 32: Spain's position against a selection of normalised institutional indicators

Figure 33: Spain's performance in the World Bank's Ease of Doing Business Index, 2006-2018

Figure 34: Spain's regional investment promotion agencies (IPAs)

Figure 35: Country band value according to Country Reprack and Reputation Institute, 2017

7.2 LIST OF TABLES

Table 1: Countries included in the comparison

Table 2: Dimensions and vectors of analysis

7.3 ABBREVIATIONS AND ACRONYMS

- APTE - Association of Science and Technology Parks of Spain
- CDTI - Centre for the Development of Industrial Technology
- CWUR - Centre for World University Rankings
- DESI - Digital Economy and Society Index
- DIRCE - Central Directory of Spanish Companies
- EIB - European Investment Bank
- ENISA - Empresa Nacional de Innovación SA
- ENR - Engineering News- Record
- FATS - Foreign Affiliates Statistics
- FDI - Foreign Direct Investment
- FLINT - Foreign affiliates statistics in Spain, INE
- FTE - Full-time Equivalent
- GVC - Global Value Chains
- IASP - International Association of Science Parks and Areas of Innovation
- IATA - International Air Transport Association
- ICO - Instituto de Crédito Oficial
- ICT - Information and Communication Technologies
- ICTS - Singular Science and Technology Infrastructure
- INE - Spanish National Statistics Institute
- IPA - Investment Promotion Agency

- M&A - Mergers & Acquisitions
- MNE - Multinational Enterprise
- OECD - Organisation for Economic Co-operation and Development
- PTA - Andalusia Technology Park
- R&D - Research and Development
- ROI - Return on Investment
- STEM - Science, Technology, Engineering and Maths
- UNCTAD - United Nations Conference on Trade and Development
- WAIPA - World Association of Investment Promotion Agencies

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7.5 DATABASES

- CWUR, Center for World University Rankings
- Dealroom
- Ethnologue
- Eurostat
- Eurostat, Foreign affiliates statistics
- fDi Markets

- Foundation for Environmental Education, Blue Flag
- Georgetown Institute for Women, Peace and Security
- INE, Estadística de Filiales de Empresas Extranjeras en España
- Institute for Health Metrics and Evaluation
- Numbeo
- Observatorio del Transporte y la Logística en España
- OCDE, Better Life Index
- OCDE, Broadband Portal
- OCDE, Main Science and Technology Indicators
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- QS World University Rankings
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- StartupXplore
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