



multinacionales
por marca España



POSITIVEFACTORS FORFOREIGN INVESTMENT INSPAIN

INDEX

1 EXECUTIVE SUMMARY	5
2 OBJECTIVE OF THE REPORT	7
3 POSITIVE FACTORS FROM THE POINT OF VIEW OF FOREIGN INVESTMENT COMPANIES	9
3.1 INTRODUCTION	9
3.2 ECONOMIC FACTORS	10
3.2.1 Spanish Macroeconomic Improvement	
3.2.2 Labour Market Flexibility	
3.2.3 Wide range of high skilled professionals	
3.2.4 R&D Tax Incentives	
3.2.5 Technological innovation	
3.2.6 Development of e-Government and online public services	
3.3 GEOSTRATEGIC FACTORS AND INFRASTRUCTURES	21
3.3.1 Geographic situation	
3.3.2 Available infrastructures	
3.3.3 The geo-positioning and logistical capacity	
3.4 FACTORS AFFECTING THE QUALITY OF LIFE OF FOREIGN WORKERS IN SPAIN	28
3.4.1 Quality of life	
3.4.2 Security and public safety	
3.5 OTHER FACTORS WITH ECONOMIC RELEVANCE: LANGUAGE AND CULTURE	29
3.5.1 Language	
3.5.2 Heritage	
4 CONCLUSIONS OF THE REPORT	33
ABOUT MULTINATIONAL COMPANIES FOR MARCA ESPAÑA	35
PARTNERS	37

EXECUTIVESUMMARY

Spain is returning to the path of growth, after several years of deep economic crisis, repositioning itself as an attractive destination for foreign investment. Several key factors can contribute to the return of foreign investment. They can be classified into the following categories:

- **Economic factors**
- **Geostrategic factors and available infrastructures**
- **Factors affecting the quality of life**
- **Other factor with economic relevance**

Within economic factors is worth to point out the improvement of the macroeconomic framework in the last months, which is boosting the confidence in the national economy. The flexibility of labour market and the availability of a wide range of high skilled professionals are also two relevant economic factors to attract foreign investments. Finally, several factors related to innovation, such as the favourable fiscal treatment of R&D or the existence of top technological infrastructures and companies, along with the development of e-Government in Spain, which allows a smooth relationship between companies and Public Administrations, have a great relevance from an economic point of view.

The geographic situation of Spain, as the gateway between North Africa and Europe and a key link to Latin America is another key factor to attract foreign investment. This privileged situation is complemented with a wide range of high quality transport and communications infrastructures, recognized as some of the best infrastructures in the world.

Other factors with less economic relevance, but not less important, are those related to the quality of life in our country. Aspect such as the Spanish health system, social life, gastronomy, tourism, climate or the cost of living are highly rated by expatriates who live in Spain, favouring their adaptation to our country. Likewise, the high public safety allows foreign companies to reduce their investments in the protection of their human resources, as well as their material goods.

The last key factors that have an enormous economic potential are the language and the Spanish cultural and natural heritage. Spanish is currently spoken by 450 million people and is a basic tool to reduce the costs of trade transactions from our country to third countries, simplifying economic exchanges through the elimination of barriers to understanding language and shortening the psychological distance between markets.

Our cultural and natural heritage attracts millions of tourist every year, placing Spain as the third largest tourist destination. This heritage has a relevant economic value for Spain and can be seen as another attractive factor for foreign investors.

OBJECTIVE OF THE REPORT

The objective of the present report is to highlight the main positive factors (strengths and favourable conditions) that Spain offers at this moment from the point of view of foreign investment in our country.

Quantitative and qualitative aspects will be analysed, paying particular attention to the results derived from the important efforts carried out by our country, especially regarding the financial system and labour market reforms, after having gone through a difficult loss of confidence.

Therefore, the report includes on one hand quantitative data which highlight the existence of a much more dynamic and flexible labour market after the labour reforms carried out, and on the other hand, normative aspects which favour a good environment for R&D investments. Also, its geographic position between the European, American and African continents makes Spain a privileged country from a geostrategic point of view. More qualitative aspects, such as the climate, language, culture or the quality of life are, along with the existence of important high capacity infrastructures, the culmination of a comfortable environment for foreign investment.

Overall, the main objective of this report is to put forward the principal arguments which have made Spain one of the most preferred countries for foreign investment. Actualised data would be presented, adding several notes derived from the political reforms carried out by the country. These reforms have in mind the importance of investment for the Spanish economy, contributing to the competitiveness, development and the overall innovation of the economy.

POSITIVE FACTORS FROM THE POINT OF VIEW OF FOREIGN INVESTMENT COMPANIES

3.1

Introduction

Foreign economic activity in our economy has not been immune to the deep consequences derived from the economic crisis in which Spain has been immersed for the last years. The negative evolution of foreign investment at world scale accentuated this situation since the start of the economic crisis, in 2008. Since then, it has affected Spain greatly as it resulted in a loss of confidence in the country as an investment destination. Nonetheless, confidence is currently being restored due to the great efforts carried out, such as the labour reforms, restructuring of the financial sector or fiscal adjustments. These reforms have begun to have a positive impact in the Spanish economic competitiveness. We should also point out several factors which have made Spain an important investment country such as its geostrategic location and its most qualitative aspects, characterising Spain as an interesting location for foreign investment to occur. As a result, according to the main economic analysts, 2014 is seen as a key year for Spain, as internal demand is improving, exports will hit a new historic record and unemployment rate is currently going down. This creates an environment with an attractive risk-return¹.

It is noteworthy to notice that on this aspect, the Financial Times has carried out a recent study in which places 7 Spanish cities among the most attractive countries for foreign investment in Southern Europe for 2014-2015².

MOST POPULAR SOUTHERN EUROPEAN CITIES FOR INVESTMENT

1 Barcelona	6 Madrid
2 Lisbon	7 Murcia
3 Oporto	8 Skopje (Macedonia)
4 Bilbao	9 Sevilla
5 Valencia	10 Málaga

Fuente: Financial Times

In the following sections, more detailed information regarding the principal indicators showing the attractiveness of Spain as a destination for foreign investment are presented.

1.- Ignacio de la Torre: The case for Spain II. Arcano, 2013.
2.- 'European Cities and Regions of the future 2014-2015'. Financial Times.

3.2 Economic Factors

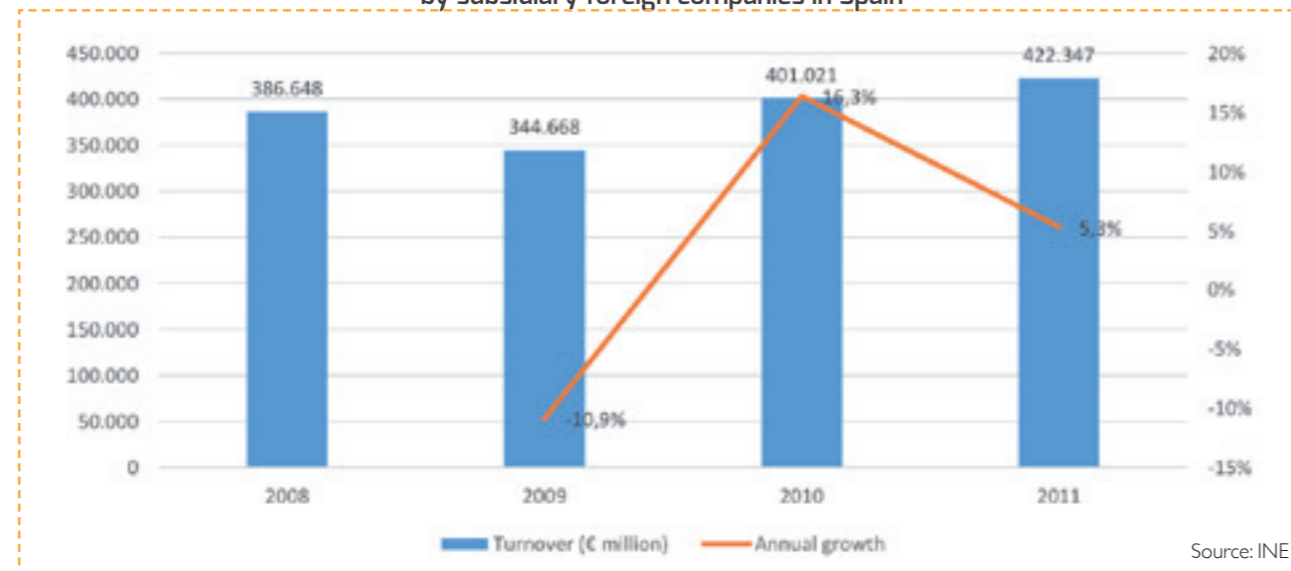
3.2.1 Spanish Macroeconomic Improvement

The Spanish macroeconomic framework has started to improve during the last months. After having gone through two years of constant decrease, the Spanish government expects the GDP to grow 1.3% in 2014³. The OECD has also optimistic previsions as they expect it to grow by 1%. There are signs of improvement of internal consumption demand, which it is expected to grow during the year 1.4% after several years of continuous low consumption⁴. Another key indicator which proves that the Spanish economy is improving is the fall in unemployment rate. In May 2014, 1.4 million employment contracts were signed, which was never achieved since May 2007. It must be noted that during the first five months of the year the accumulated recruitment has increased 15.8% from the 2013 period⁵. According to the Economically Active Population Survey related to the second quarter of 2014, the annual variation of the employment records is 1.12%, having achieved the first positive figure since 2008.

This improvement in the macroeconomic framework has had spillover benefits. The confidence in the economy has been restored, resulting in an important reduction of the risk premium (around 130 points at the start of June 2014) and an improvement of the Spanish rating, given by the main rating agencies (S&P raised the rating of the government debt from “BBB-“ to “BBB” in May 2014, and Moody’s improved it from a “Baa3” to “Baa2” in February 2014).

The improvement of macroeconomic environment will undoubtedly benefit foreign companies settled in Spain, mainly taking into account that during the worst years of the economic recession, foreign companies still managed to maintain their employment and turnover in relation to Spanish national companies which did not.

Figure 1. Evolution of the business volume generated by subsidiary foreign companies in Spain



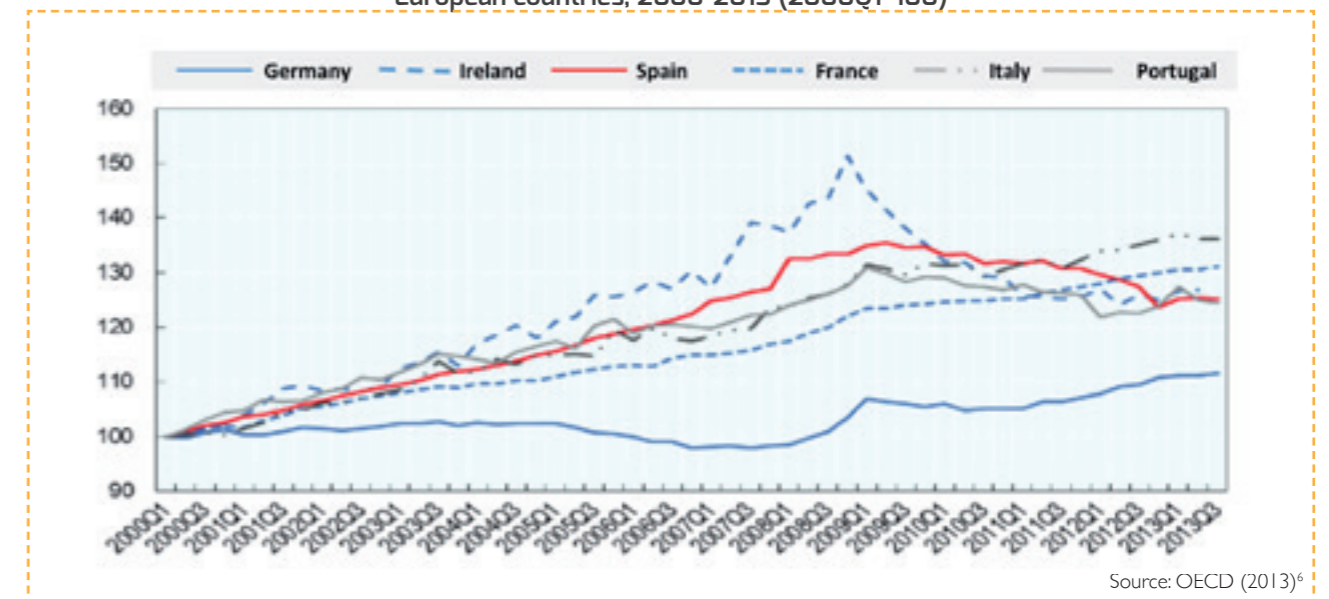
3.2.2 Labour Market Flexibility

The Spanish labour market has always been known for its strong rigidity, which configured a unique labour market, with a great dysfunctional remark, where the adjustments were always based in terms of dismissals –temporary workers suffered it the most due to their low costs- and very rarely based on alterations of employment contracts, lowering salaries, changes in occupations or other adjustments which would have permitted the continuation of the job position. All these adjustments were impossible due to the lack of internal flexibility. For this reason in 2012 the Government carried out a new adjustment plan. A new labour reform was implemented with the main objective of reconstructing the labour market into a much more flexible market, which is beginning to bear fruit.

This reform changed the rules in relation to collective bargaining and layoffs. Furthermore, it simplified the number of current employment contracts, is enabling the flexibility of labour conditions and costs, and it is stimulating wage moderation. These modifications also aim at the increase of salaries in relation to productivity.

It is worth to mention that the flexibility of these conditions (schedules, extra hours' remuneration) has created a more competitive labour market, resulting in a more dynamic one, with a high skilled workforce and with moderate salary costs, below the UE15 countries' average.

Figure 2. Development of unit labor costs in selected European countries, 2000-2013 (2000Q1=100)



Other statistical sources place labour cost in Spain, during 2013, 40% below the French, 34% below German and 25% below Italian labour costs⁷.

However, it is still necessary paving the way to achieve a fully competitive labour market since according to the OECD estimations, this reform will improve productivity in the long run. The productivity in the Spanish business sector will improve 0.25% annually⁸.

3.- Ministry of Economy and Competitiveness: "Update of the Stability Program 2014-2017" http://www.minecogob.es/stfls/mineco/comun/pdf/Estabilidad_2014_2017.pdf

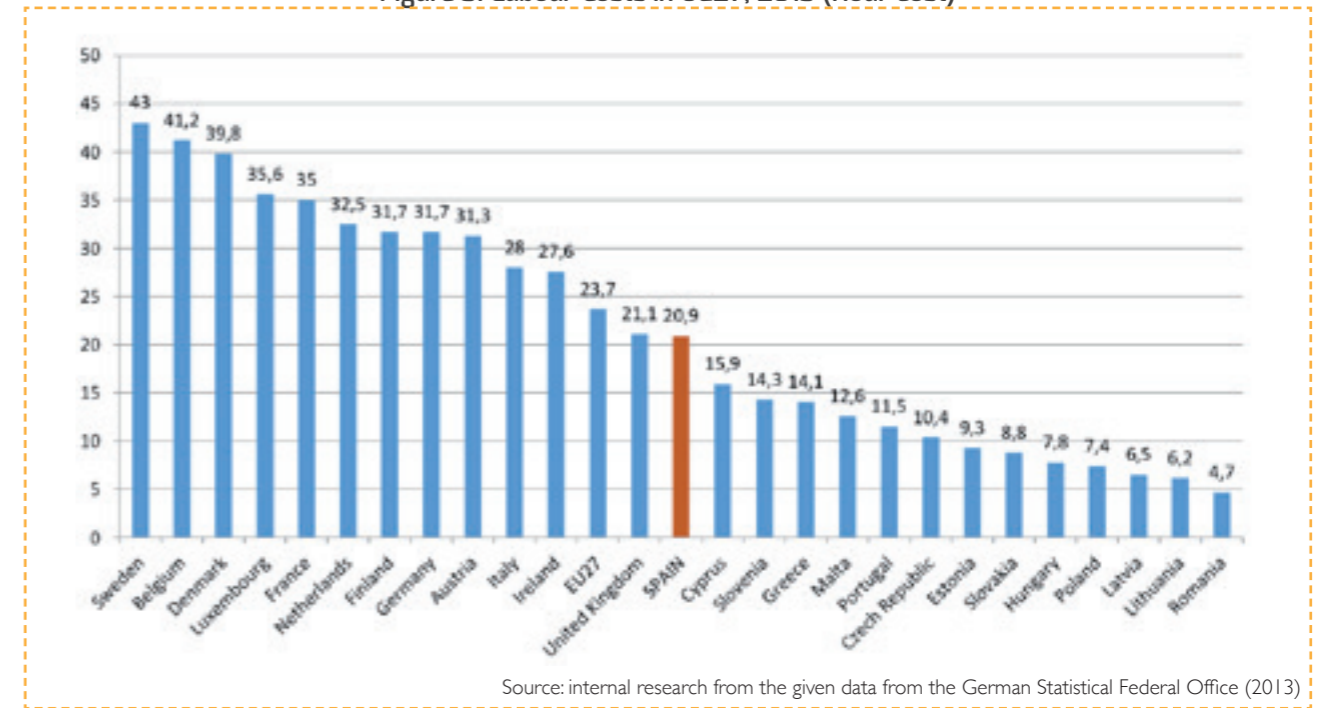
4.- Ibid.

5.- Data from State Public Employment Service May 2014

6.- OECD (2013): "Labour Reform in Spain: a preliminary evaluation"



Figure 3. Labour Costs in UE27, 2013 (Hour cost)



As seen in the previous graphs, the Spanish labour market offers at this moment a very competitive environment that can benefit foreign companies, especially since there is a high availability of highly skilled young workers.

3.2.3 Wide range of high skilled professionals

Spain has available high skilled professionals, at a reasonable labour cost, for any kind of business. Spanish professionals with university degrees are proven to be highly competitive professionals. They are also highly competitive from the point of view of salaries if they are compared to workers from other countries.

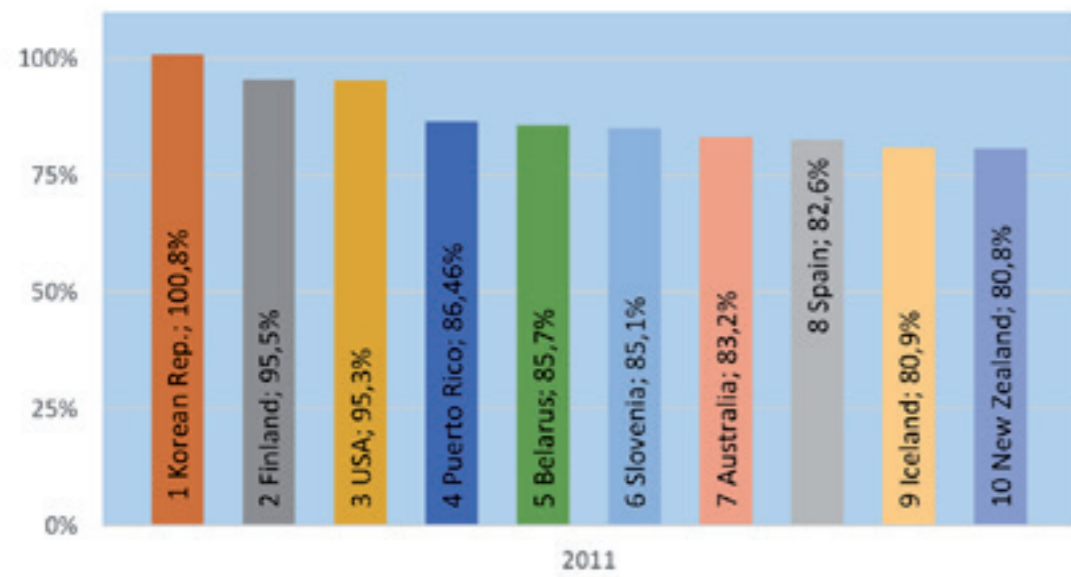
It is worth to note that Spain is currently eighth in the world ranking in terms of the percentage of adults with higher education and postgraduate (See figure 4).

This indicator has grown by 132% between 1990 and 2011, surpassing the world average for the whole time period (See figure 5).

According to the Institute for Management Development ranking, in 2013 Spain occupied the 11th position in the world regarding the availability of skilled labour, above countries like the UK or Germany. Also, according to the latest report of the World Economic Forum, "The Global Competitiveness Report 2013-2014", Spain is ranked 11th on the availability of engineers and scientists.

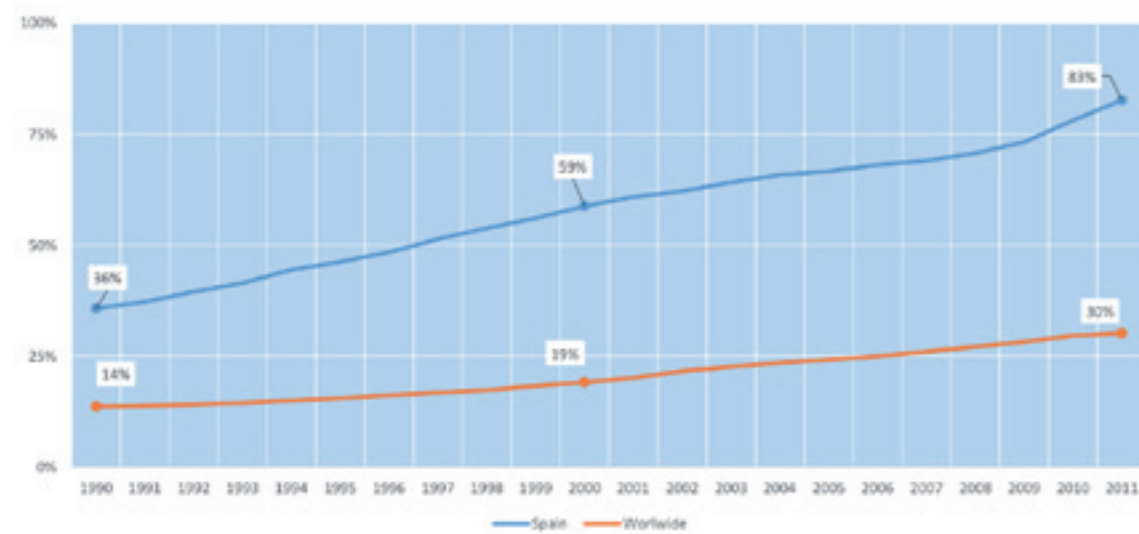
7.- Data from average labour costs in Europe published in 2013 by the German Federal Statistical Office.
 8.- The business sector excludes agriculture, mining, fuels and professional services. Source: OECD (2013): "Labour Reform in Spain: a preliminary evaluation"

Figure 4. Index of higher education Top 10/154



Source: World Bank Data

Figure 5. Index of higher education in Spain vs rest of the world



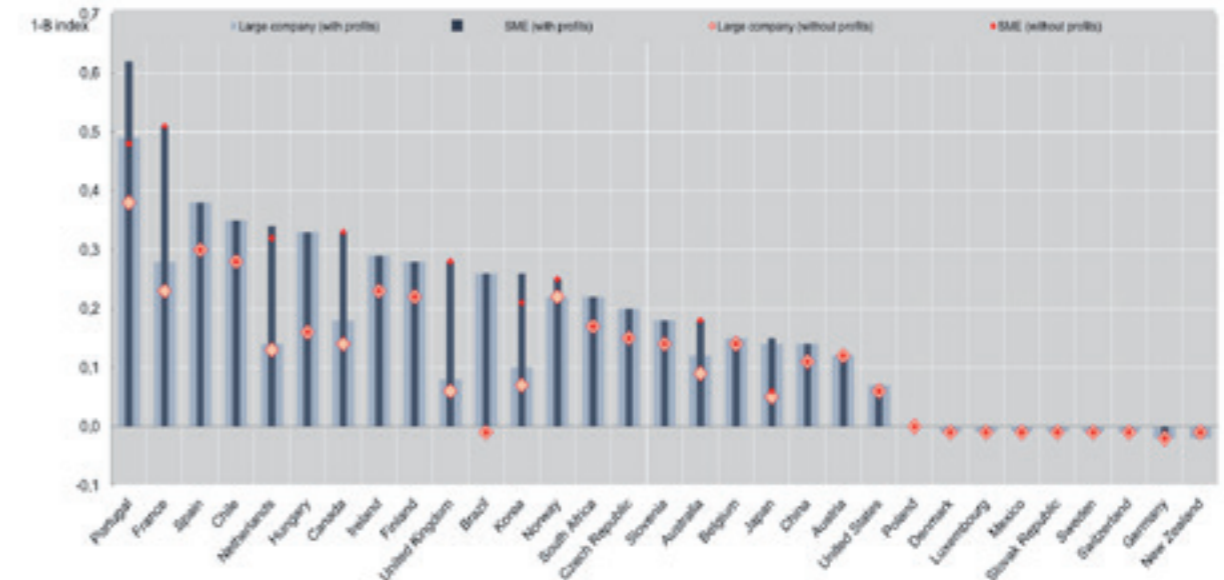
Source: World Bank Data

3.2.4 Tax Incentives

Innovation and R&D activities are essential for companies as they play a key role in their competitiveness, since they need to adapt to constant changes at a high rate. In this sense, the Spanish R&D fiscal regulation is one of the main instruments available to incentive innovating activities of companies. 60% of the OECD countries have instruments boost the innovation process. Within the OECD, Spain holds one of the most beneficial fiscal treatments which promote R&D activities. Definitely, the Spanish regulation of R&D activities tax incentives is very favourable for the development of these key activities.

The following table shows the tax incentive attractiveness according to the B-Index, an adopted index by the OECD which measures the benefits of the fiscal treatment of R&D and allows the comparison between countries. This index is calculated taking into account the return of a euro investment and the costs in R&D previous to the application of a tax⁹.

Figure 6. Bounty system of tax incentives for R & D by type of business and economic performance



Source: OECD¹⁰

For the calculation of the index, the type of tax of the country, the fiscal savings due to R&D activities and its amortization as well as other deductions available, are taken into account.

It can be seen how Spain is at the forefront of the countries with a more generous tax regime for the R&D both for companies (large and SMEs) with benefits and companies (large and SMEs) without benefits.

Tax credits for R&D and Technological Innovation activities

The set of tax credits scheme for R&D available in Spain is very wide, considering eligible a set of concepts and R&D activities described in art. 35 of the 'Law on Corporate Income Tax (CIT Law)'. Some of these concepts have a unique tax treatment in the world. For example, Spain is the only country that provides a specific deduction for Technological Innovation activities, with a percentage of 12% deduction on the tax charge of corporate tax. Likewise, the tax treatment of research personnel dedicated full time to R&D allows for an additional percentage of 17% of their costs.

Taxation of Intangible Assets

One of the key elements in the final stages of the research process is the IP protection of inventions or outcomes of the research activity. In Spain, there is a mechanism since 2008, seen in the art. 23 of the Consolidated Text of the Corporate Tax Law (CIT Law), which promotes the sale or commercial exploitation of patents not only from research, but from any type of intangible asset that was created

9.- Jacek Warda, 2005. Measuring the Value of R&D Tax Provisions. The OMC Working Group on "Design and evaluation of fiscal measures (JPW Innovation Associates INC.). [Online] Junio 28, 2005. http://ec.europa.eu/invest-in-research/pdf/download_en/eu_b_index_paper_final.pdf.
10.- <http://www.oecd.org/sti/rd-tax-stats.htm>

or acquired by the company to third parties in Spain, commonly known as “patent box schemes”. Companies can reduce up to 60% of the profits of the operation. This incentive enables the reduction of the tax charge of the company by lowering taxable income.

Reduced Social Security tax for dedicated R&D staff

Other no tax incentive aimed at encouraging research activities is the tax credit of 40% of employer contributions to social security personnel assigned exclusively to R&D. These credits are compatible with the tax incentives mentioned above, but with certain limitations. This type of credits constitutes an additional way to incentive the personal investigator recruitment.

All of these tax incentives, along with the existence of qualified personnel, place Spain as a key destination for companies for which R&D activities are vital.

3.2.5 Technological innovation*

Spain is a leading country in the development and use of technology in several sectors. Our country has outstanding technological infrastructure and companies that can become strategic partners for foreign investment.

Spain has leading companies in the development of infrastructure and civil engineering projects around the World. Spain has also wide experience in the development and deployment of traffic management solutions such as highway management, air traffic management or railway management.

It is worth to point out the role of Spain in one of the most relevant industrial sectors: the automotive sector. Spain is the second manufacturer of commercial vehicles of the European Union and leading country regarding the development of technology for electric vehicles. Spain has also a prominent role in the development of environmental technologies (water management and waste management).

Spain also leads the development of technologies for health, thanks to its experience in the management of its National Health Service and the boosting of sectors such as biotechnology.

It is also worth to note the existence of several Spanish leading companies within shipbuilding and aerospace industries, which place Spain as an advanced country in both sectors.

Finally, other sectors where Spain plays a prominent role are renewable energies and information and communication technologies.

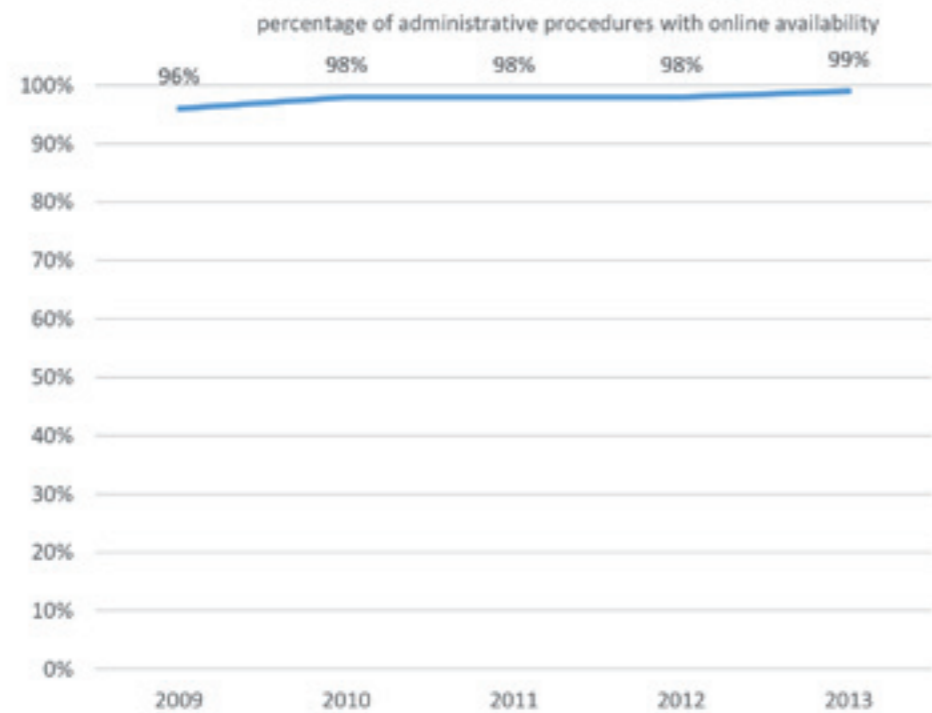
3.2.6 Development of e-Government and online public services.

Another important aspect for companies operating in the Knowledge Society is the degree of development of e-Government and online public services in Spain. It is a key factor as companies are in constant communication with the Public Administrations as such, from paying taxes to the Social Security contributions, and from the application for permits and licenses for different processes of their business.

Nowadays, 99% of the administrative procedures of the Central Government are available electronically.



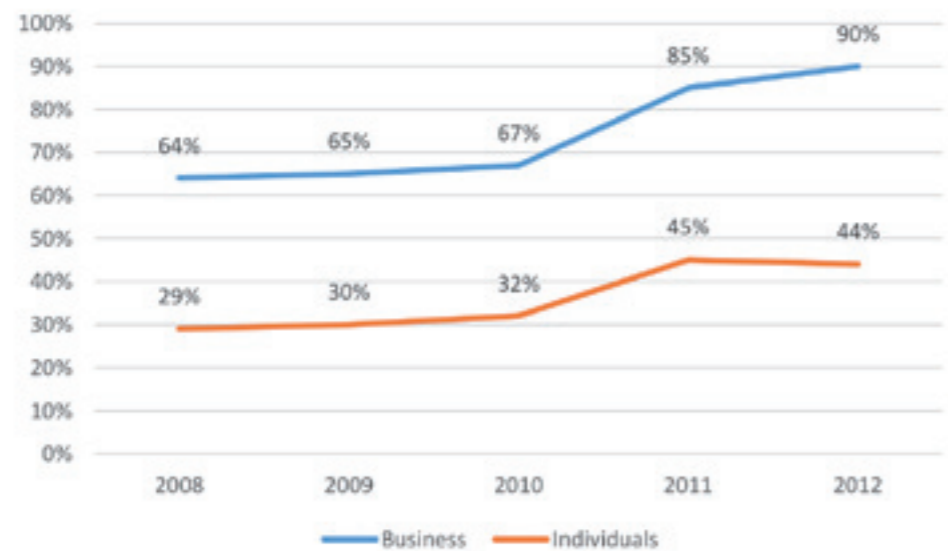
Figure 7. Availability of the public electronic service in Spain (Central Government)



Source: OBSAE (2014)

The level of use of these procedures by companies is high. More than 90% of the companies in Spain use digital public services, as well as 44% of the citizens.

Figure 8. Direct use of the e-Government services in Spain

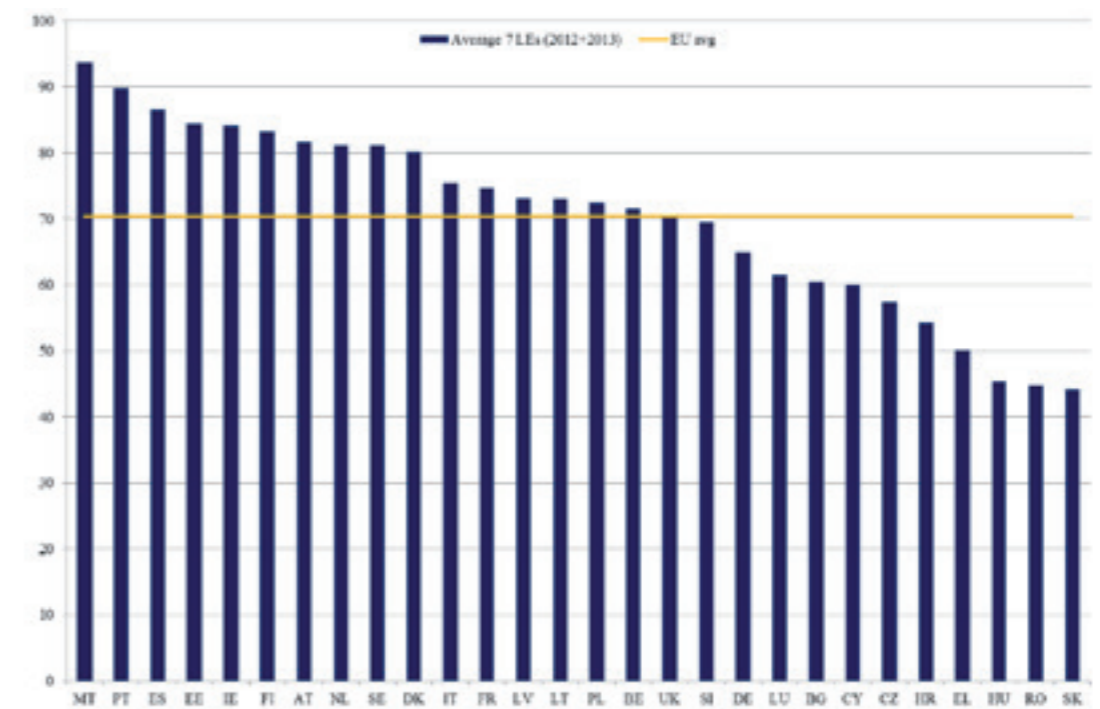


Source: OBSAE (2014)

In addition, according to the European Commission¹¹, Spain is the third country of the EU where e-Government is used the most, according to an index which values the availability and facility of the use of these services.



Figure 9. European usage of e-Government services



SOURCE: European Commission, 2013¹²

These developments, along the increase level of e-Government usage by companies in Spain, result in important savings and lower administrative costs. According to the SCM model (Standard Cost Model)¹³, an in-person procedure has an average 80€ cost for the user, while an electronic one is just of 5€. This means that the user will save 75€ with the electronic service.

Thanks to the usage of e-Government services, the Ministry of Finance and Public Administration estimates that in 2013 the citizens and businesses in Spain saved up to 16,602 million Euros. An increase of 5.3% was achieved, given that in 2012, the saving was 15,763 million Euros.



3.3 Geostrategic factors and infrastructures

This section refers to those factors related to the geographical position of Spain and the available infrastructure that can be considered important from a logistical point of view.

3.3.1 Geographic situation

Spain occupies a key geographic position of a high strategic value from different points of view. From a commercial point of view, Spain is projected into three main regions: the European region, the Mediterranean and the Atlantic region. Spain is considered the gateway between North Africa and Europe and a key link to Latin America, not only for its geographical location but also for its strong historical and cultural ties with the region. Within Spain, Canary Islands play a key role in the maritime traffic with Western Africa.

From a security and geopolitical perspective, Spain has a privileged place in the World, controlling the access to Mediterranean Sea and North Atlantic. Spain is also the natural South border of Europe with Maghreb countries.

3.3.2 Available infrastructures

The positive effect that both the quality and availability of infrastructure in attracting FDI has been highlighted in several studies about the factors of FDI location^{14/15}. Spain in recent years has improved its position in terms of the quality of all types of infrastructure available, both transport infrastructure (railways, highways, airports and ports) as well as telecommunications infrastructure.

Spain holds world class infrastructure. Particularly, transport infrastructure, in which Spain holds the 6th position worldwide according to the Global Competitiveness Index 2013–2014, developed by the World Economic Forum (Spain is the 12th country in the world regarding all types of infrastructure). The following sections describe in detail the most relevant infrastructure.

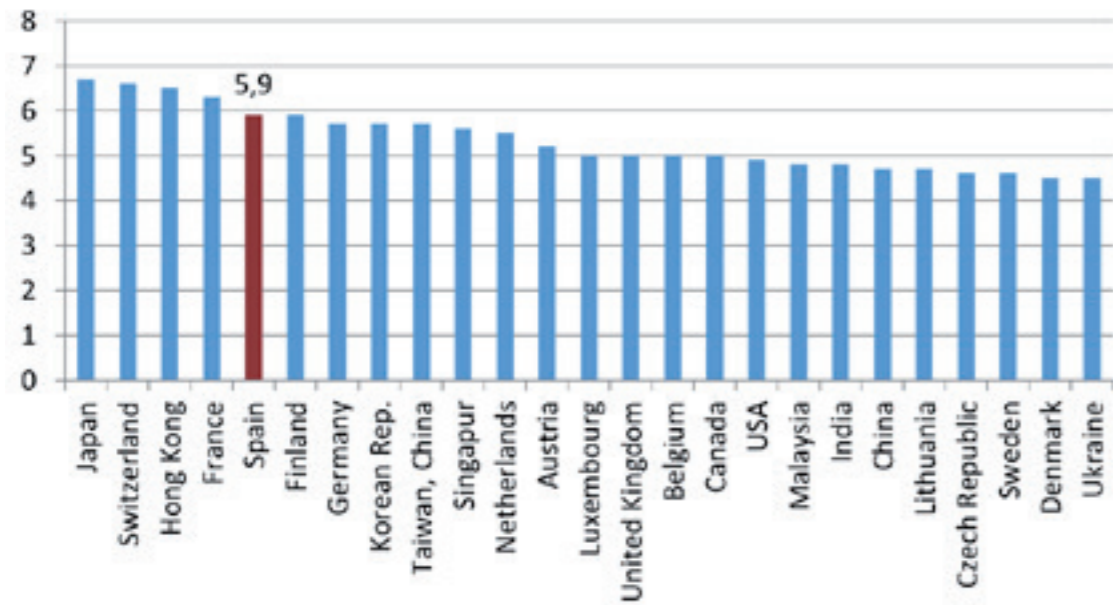
3.3.2.1 Railway infrastructure

According to data published by the World Economic Forum, Spain is the 5th country in the world and 2nd in the European Union in terms of the quality of its rail infrastructure¹⁶ Japan holds the first position, followed up by Switzerland, Hong Kong and France.

Regarding the coverage of the rail network, Spain currently has 15,169 kilometres of railroads, of which 3,100 are high speed, in which the AVE trains reaches an average commercial speed of 222 km/h, higher than Japan (218 km/h) and France (216 km/h)¹⁷.

14.- Coughlin, et al. 1991. "State Characteristics and the Location of Foreign Direct Investment within the United States." *Review of Economics and Statistics* 73(4): 75-83
 15.- Wheeler, David, and Ashoka Mody 1992. "International Investment Location Decisions: The Case of U.S. Firms." *Journal of International Economics* 33(1-2): 57-76
 16.- <http://reports.weforum.org/the-global-competitiveness-report-2013-2014/#section=countryeconomy-profiles-spain>
 17.- http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2013-14.pdf

Figure 10. World ranking of quality of rail infrastructure (Top 25)

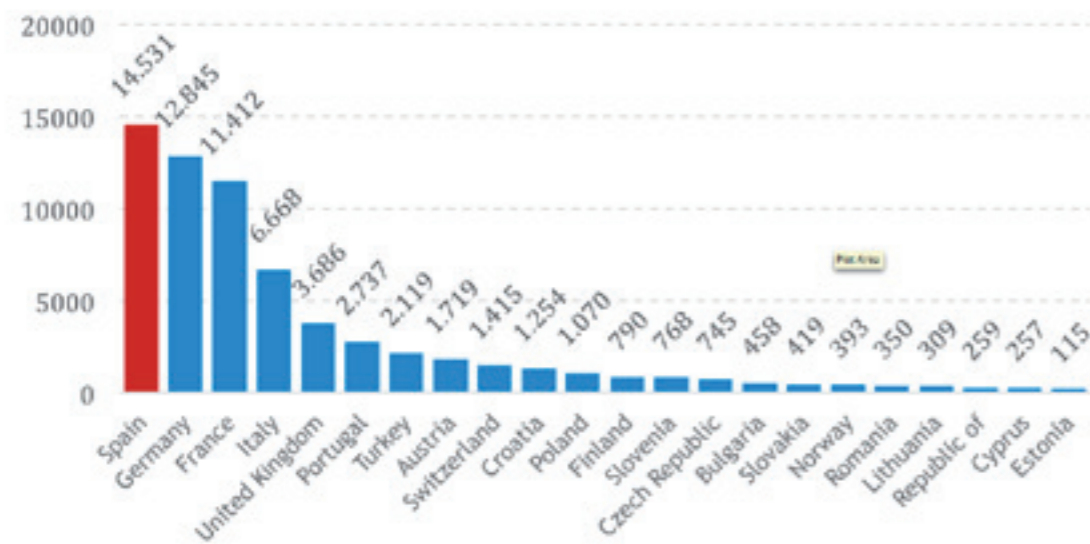


Source: World Economic Forum¹⁸

3.3.2.2 Road infrastructure

Regarding transit roads, Spain has the largest road network in Europe, with 14,500¹⁹ kilometers of roads. It holds the 13th position of 148 countries in the World Economic Forum ranking.

Figure 11. Total length of roads in km

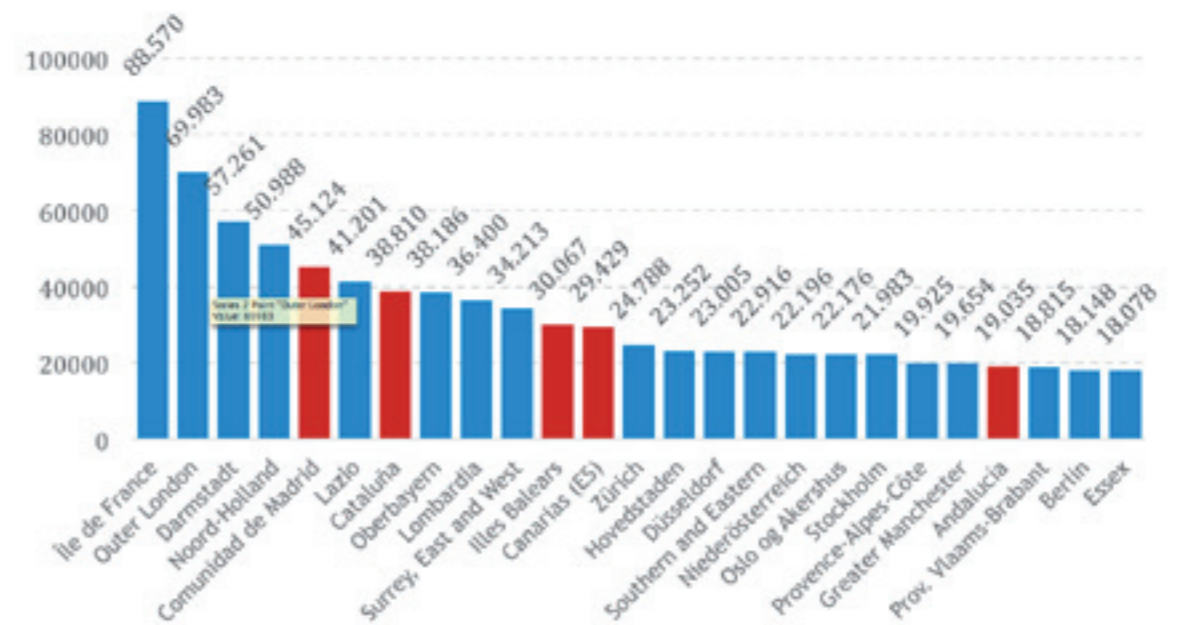


Source: Eurostat (2012)

3.3.2.3 Airport infrastructure

Spain occupies the 3rd position in terms of number of flight passengers within the EU. It also has 5 of the top 25 airports with the highest number of passengers moved within the EU, with Adolfo Suárez airport in Madrid (former Madrid-Barajas airport) which occupies the 5th position. Following the same classification, Barcelona airport occupies the 7th position and airports located in the Balearic Islands, Canary Islands and Andalucia occupy the 11th, 12th and 22nd place respectively. This indicator reflects the capacity of the infrastructure and services that are offered to both passengers and cargo operators. Overall, we occupy the 12th position as airport infrastructure worldwide²⁰.

Figure 12. Passengers mobilized in major European airports (in thousands)



Source: Eurostat (2012)



18.- Source: Adif.
19.- http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=road_if_motorwa&lang=en

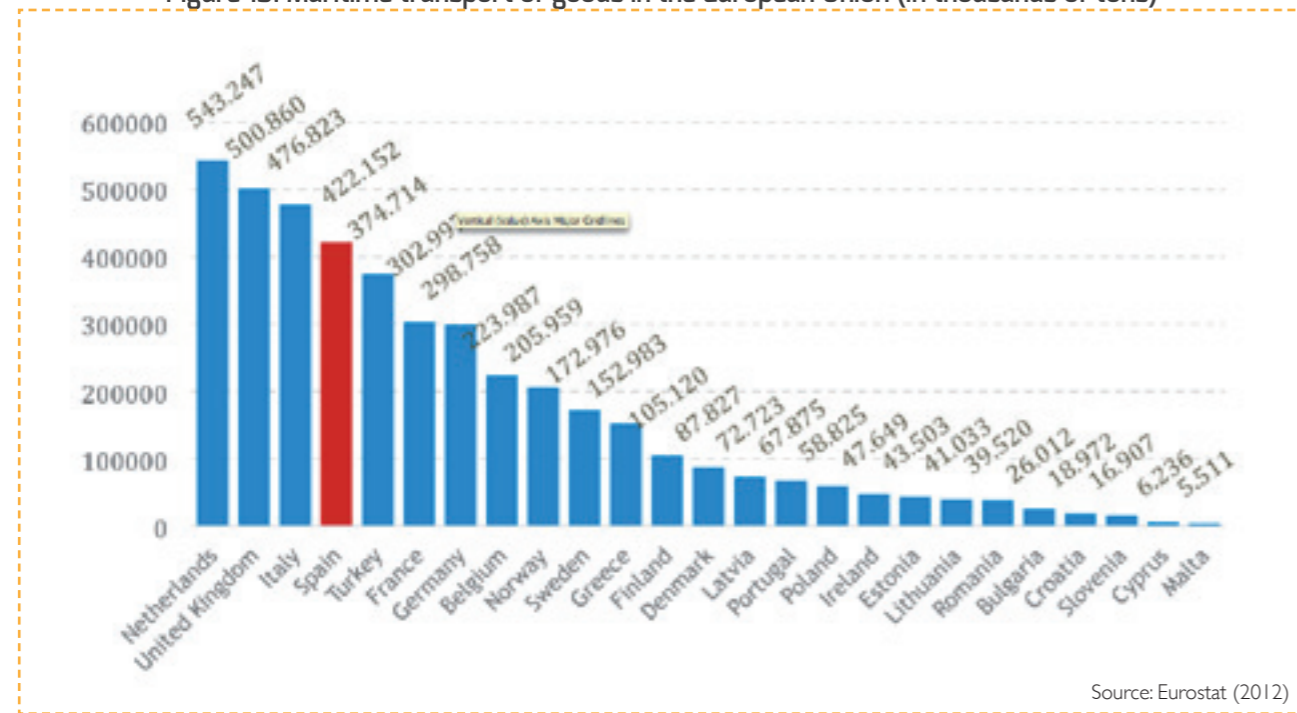
20.- Source: Foro Económico Mundial 2013-2014.

3.3.2.4 Port infrastructure

As is the case with railway infrastructure and airport infrastructure, Spain also holds a world class position in the port infrastructure. It occupies the 12th position in relation to the quality given²¹.

This port infrastructure is an essential pillar of international trade, since approximately 80% of the trading passes through a phase of maritime transport. Spain has eight thousand kilometres of coastline, three different seas and 46 ports of general interest. In 2012 the Spanish ports moved 475 million tons of goods, 5.14% of global transport and 12.4% in Europe²².

Figure 13. Maritime transport of goods in the European Union (in thousands of tons)



Source: Eurostat (2012)

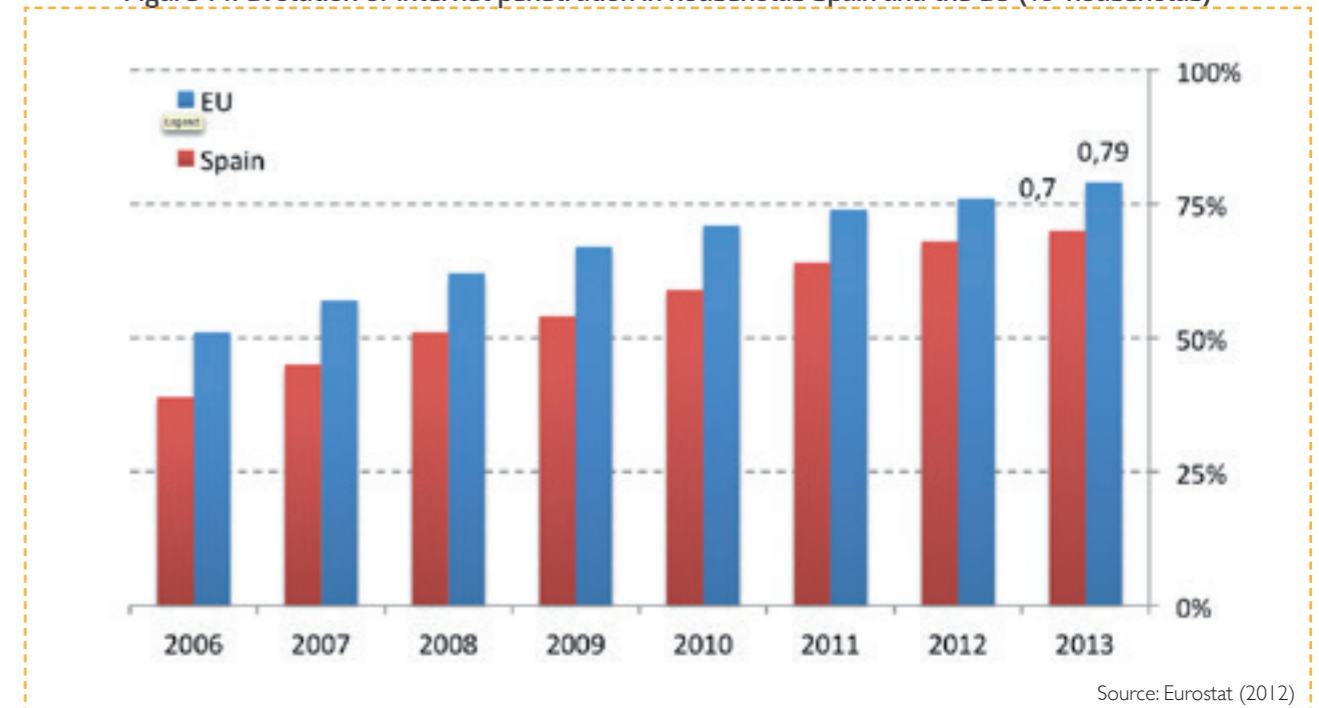
3.3.2.5 Telecommunications infrastructure

Spain has made great improvements in the deployment of telecommunications infrastructure. Regarding broadband, Spain has coverage of 96.5%²³. Spain is one of the few OECD countries that have included in its legislation the obligation to supply broadband service 1Mbps since 2012²⁴.

With data from the end of 2013, it should be noted that access to fixed broadband is available in 97% of Spanish houses (97% in the EU). In rural areas, fixed broadband covers 94% of households. The NGA networks deployed can provide connection speeds of at least 30 Mbps, being available in 65% of the houses²⁵.

Taking into account the penetration of Internet in Spanish households, it gets closer and closer to the EU average.

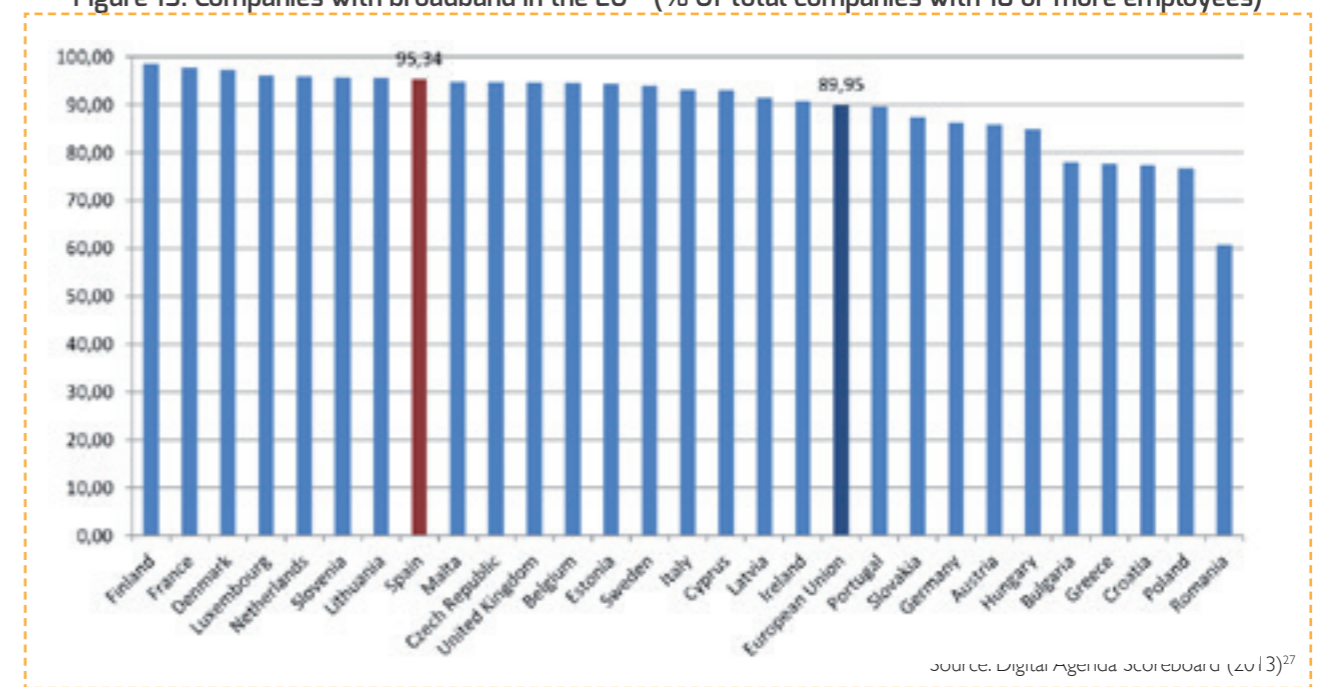
Figure 14. Evolution of Internet penetration in households Spain and the EU (% households)



Source: Eurostat (2012)

Regarding business sector, the rate of deployment of broadband goes beyond the one achieved by the EU, showing how telecommunications infrastructure is adapted to business communication needs.

Figure 15. Companies with broadband in the EU²⁶ (% Of total companies with 10 or more employees)



Source: Digital Agenda Scoreboard (2013)²⁷

21.- Source: World Economic Forum 2013-2014.

22.- Source: Tecniberia 2013

23.- Standard fixed broadband coverage/availability (as a % of households). Digital Agenda Scoreboard. <http://digital-agenda-data.eu>

24.- OECD e-Government Studies Reaping the Benefits of ICTs in Spain. <http://www.oecd.org/gov/50488898.pdf>

25.- <https://ec.europa.eu/digital-agenda/en/scoreboard/spain#broadband-markets>

26.- Include all sectors except financial sector.

27.- <http://digital-agenda-data.eu>

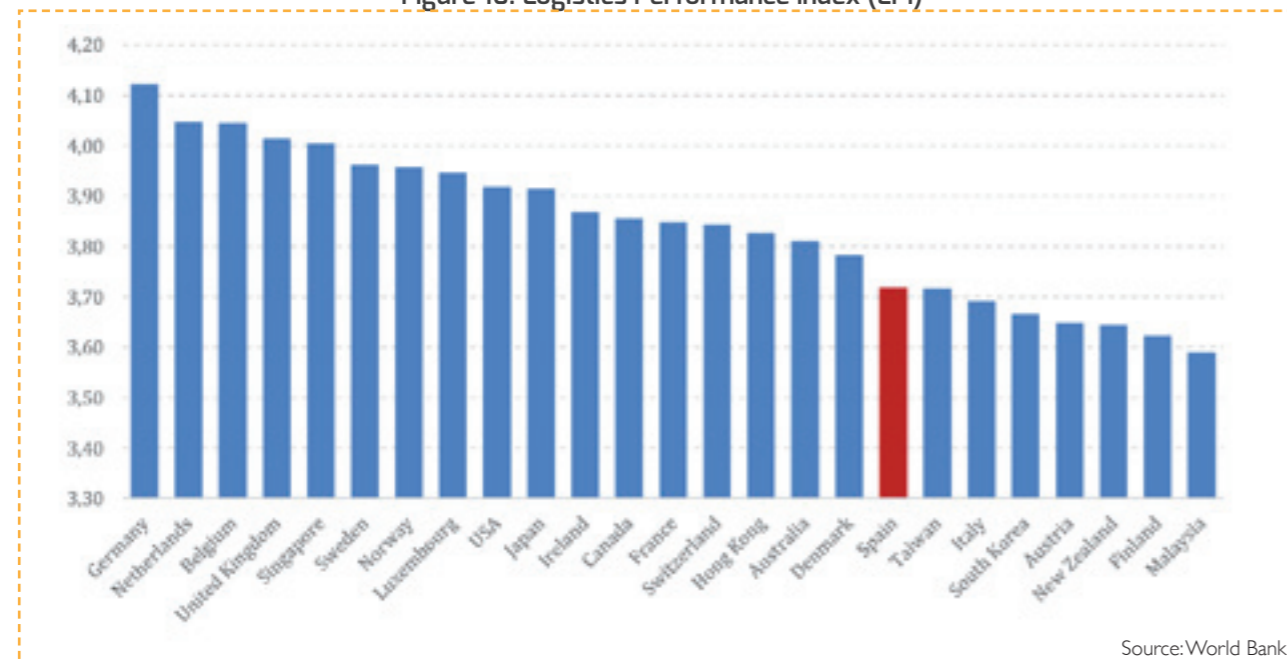


3.3.3 The geo-positioning and logistical capacity

The geographical location and the characteristics of transport infrastructure, discussed above in detail, have a direct impact on commercial and logistics activities. Spain combines these two vectors prominently.

The World Bank measures using the index “Logistics Performance Index” (LPI) the performance of each country in terms of logistics according to a number of parameters such as infrastructure, customs operations, the ease of shipping goods or the traceability and speed operation. In the latest update of the index, Spain is ranked number 18 out of 120 countries.

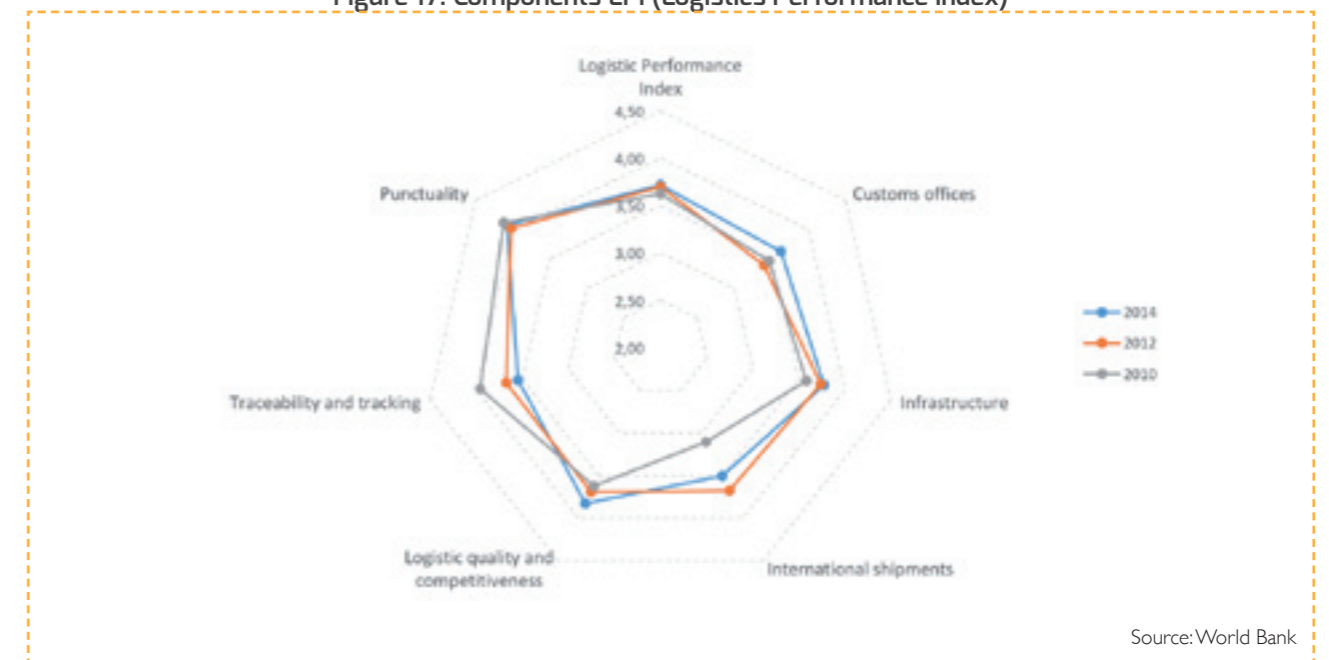
Figure 16. Logistics Performance Index (LPI)



Source: World Bank

The following chart shows the evolution of this index in previous years. It shows that the performance of Spain in some areas such as the functioning of customs offices and logistics quality and competitiveness has evolved satisfactorily.

Figure 17. Components LPI (Logistics Performance Index)



Source: World Bank



3.4

Factors affecting the quality of life of foreign workers in Spain

3.4.1 Quality of life

Our country offers to foreign companies a high quality of life for their employees. Aspects such as the Spanish health system, social life, gastronomy, tourism, climate or the cost of living are highly rated by expatriates who live in Spain. According to the web for expatriates of the British bank HSBC²⁸, Spain is ranked in the 7th position as foreign country destination to work taking into account indicators such as facilities to raise children or daily life environment.

Other indicators²⁹ underline the quality of our health system and the quality of social relationships that arise in the country.

3.4.2 Security and public safety

Spain contributes to the peace keeping and international security around the globe. It carries out such a duty through the following organizations:

ONU: UN: Spain joined the UN on the 14th of December, 1955. Spain is currently the sixth largest contributor to the UN system, and is the ninth regular taxpayer. It provides nearly 3% of the budget. Spain is a potential candidate member of the Security Council of the UN for 2015-2016. It would be the fifth time that Spain could be part of this UN body³⁰.

OTAN: NATO: Spain is a member since May 30, 1982 and ranked seventh in the organization. It contributes 4.3% of the organization's budget.

From a domestic perspective, Spain is a safe country for individuals both legally and personally, thanks to low crime rates and the protection of the law system.

Several studies show that there is a significant correlation between security and foreign direct investment. Countries with high crime rates and lack of security require large sums of investments in order to protect the inversions carried out by the companies. Companies are forced to invest specially in the protection of their human resources, as well as their material goods.

In 2013 the murder and homicide rate fell by 17% compared to 2012 and crime and criminal offense rate fell by 4.3%. The crime rate in our country is one of the lowest one in the European Union. Worldwide Spain is ranked 12th.



3.5

Other factors with economic relevance: Language and culture

Spain has two main factors of first order economic relevance: language and culture. Both factors must be taken into account when deciding to invest in Spain

3.5.1 Language

Language is an important economic asset for our country, and very attractive to foreign investors. Spanish is currently spoken by 450 million people, reaching 9% of world GDP. It is also the third language on the Internet and the second most spoken language in the United States, where it is estimated that in the year 2060, half the population will speak it. Spanish is also the second most used language on Twitter and on Facebook, which are leading social networks in the world³¹.

Thanks to sharing the same language, bilateral trade between Spanish-speaking countries increased by 290%³². This benefit also quadrupled the bilateral flows of foreign direct investment³³.

28.- <https://www.expateexplorer.hsbc.com/>

29.- OECD Better Life Index <http://www.oecdbetterlifeindex.org/>

30.- <http://www.exteriores.gob.es/Portal/es/PoliticaExteriorCooperacion/NacionesUnidas/Paginas/CandidaturaConsejoSeguridad2015-2016.aspx>

31.- Source: Article of Jesús Andreu Ardura (General Director of Carolina Foundation): The Spanish, ¿is conquered the World?. Published in El País. April, 18th 2014

32.- Cervantes Institute: http://www.cervantes.es/sobre_instituto_cervantes/prensa/2013/noticias/diae-resumen-datos-2013.htm

33.- Telefónica Foundation: The economic value of the Spanish. March 2012

The historical, cultural and economic ties of Spain and other Spanish-speaking countries represent an opportunity for foreign companies, since language can reduce the costs of trade transactions from our country to third countries, simplifying economic exchanges through the elimination of barriers to understanding language and shortening the psychological distance between markets³⁴.

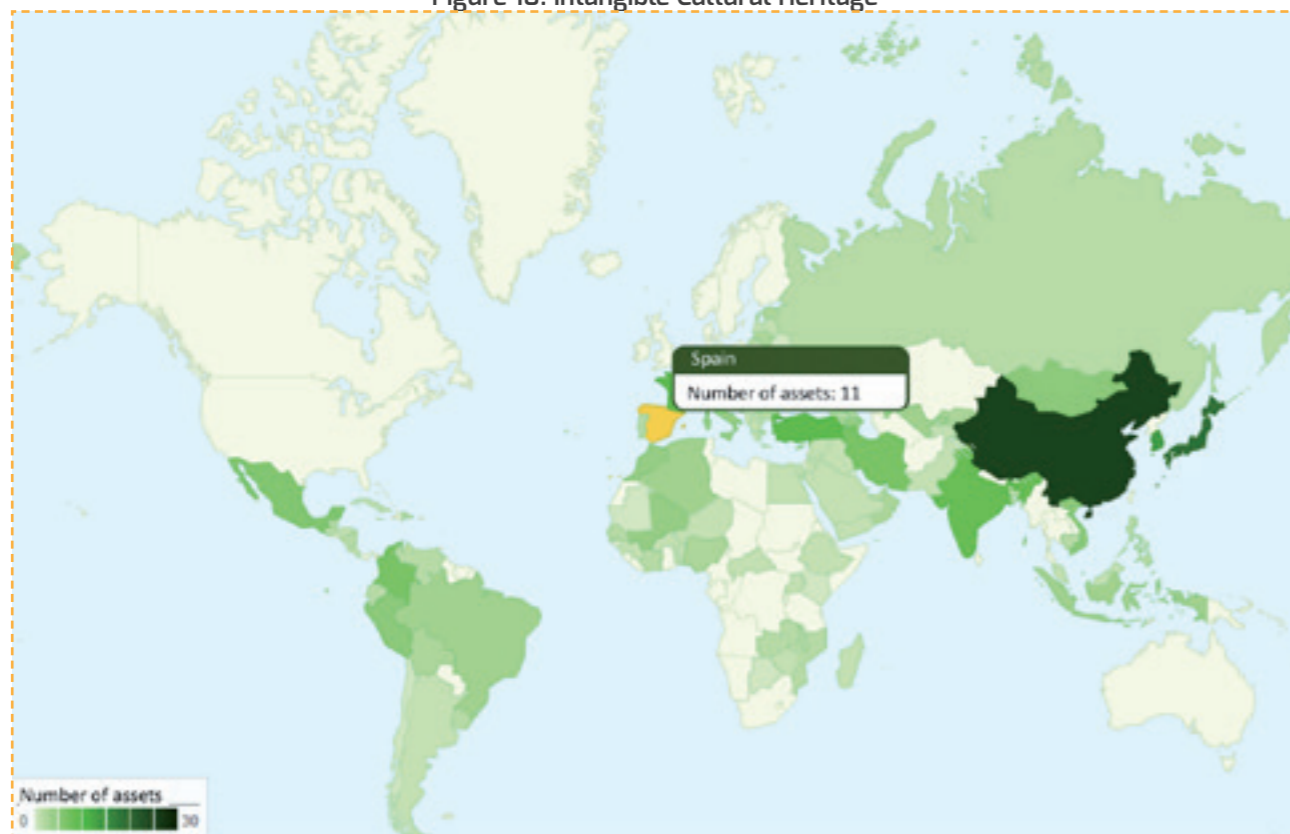
Spain has the ability to become the gateway to Latin American markets, and also to USA, where Spanish is the second most used language. This is an advantage as it facilitates communication, lowering the costs, generating a climate of confidence that encourages trade and above all, facilitates the understanding³⁵.

Overall, it is worth to note that from a national point of view, the language is one of the most important tourist attractions. Besides, 16% of the Spanish GDP holds a relation with the language. In 2012 around one million travelers chose Spain for academic reasons.

3.5.2 Heritage

Spain has a very rich natural and cultural heritage, both tangible and intangible. This heritage contributes to place Spain as the third largest tourist destination, having an important economic value and becoming another attractive point to investors.

Figure 18. Intangible Cultural Heritage



Spain has a total of 41 cultural sites listed on the World Heritage List, including two mixed sites (Natural and Cultural) and 39 cultural (materials). Spain is currently the third country with most declared sites in the UNESCO's World Heritage List.

We must emphasize that within this heritage there are 13 cities that have been declared World Heritage Cities: Alcalá de Henares, Ávila, Cáceres, Córdoba, Cuenca, Ibiza, Mérida, Salamanca, San Cristóbal de la Laguna, Santiago de Compostela, Segovia, Tarragona and Toledo. Spain also has 11 intangible assets recognized as intangible asset of humanity by UNESCO itself (See figure 18)

The Spanish heritage is not only cultural or historical; it is also natural of great economic value.

It is widely known that Spain is the European country with the highest biodiversity. Thus, of the 226 habitats recognized as of high interest in the European Union³⁶, 54% are located in Spanish territory. In Spain there are 45 biosphere reserves which are included in the "Man and Biosphere Programme" (MAB) of UNESCO which holds a total of 621 reserves in 117 countries. Spain is the second country in the world by number of reserves, just behind the United States.

Among natural heritage recognized by UNESCO can be highlighted the Doñana National Park, Ordesa and Monte Perdido National Park or Garajonay National Park.

The vast cultural and natural heritage of Spain is, therefore, another incentive for attracting foreign companies, which can also contribute to sustainable exploitation.

34.- Telefónica Foundation: The Spanish in the international economic flows. 2011
35.- Telefónica Foundation: The economic value of the Spanish. March 2012

36.- Council Directive 92/43/CEE of 21 May 1992, on the conservation of natural habitats and of wild fauna and flora



CONCLUSIONS OF THE REPORT

The indicators analyzed throughout the report demonstrate that Spain has high appeal for foreign companies. To summarize, the main conclusions drawn from the analysis are:

- Structural reforms and the improvements on the efficiency of public spending that have been made in the recent years in order to restore the competitiveness of the economy and accelerate out of the economic crisis are beginning to work, which increases the confidence to choose Spain as an FDI destination.
- The combination of a more flexible labor market with the existence of a wide range of qualified professionals places Spain at the forefront of international destinations for companies looking for skilled professionals (especially graduates and engineers) at reasonable costs.
- Spain possesses one of the most attractive tax regimes in the world for conducting research and development and innovation activities, as it recognizes the research, development and innovation as key for the competitiveness and productivity of companies.
- The important development of the e-Government in Spain results in more savings for companies when it comes to the relations with the Government.
- Spain has one of the most advanced transportation infrastructures in the world, with special remarks in the rail network and airport infrastructure.
- The geostrategic position of Spain makes it a perfect link between Europe and Africa, as well as between Europe and America. It gives Spain a particular relevance in the logistics field.
- Spain is one of the safest countries in the world. Given the direct relationship between public safety and foreign investment there is no doubt that the high level of security of our country plays a key role for the arrival of FDI.
- From an economic and cultural point of view, the Spanish language is a key strength of our country. It is shared by over 450 million people. It is the best vehicle Latin American companies and is highly relevant in USA, where it is the second most spoken language.
- Quality of life for expatriates is very high. Workers of foreign companies consider Spain a good country to live and work.
- Finally, our extensive cultural and natural heritage is one more incentive for the establishment of foreign companies, both to enjoy it, and to use it sustainably.

ABOUT MULTINATIONAL COMPANIES FOR MARCA ESPAÑA

This is a platform integrated by multinational companies from all sectors of business that have an office in Spain. It aims to promote, from within the world of business, public support of Marca España while spreading within the business organizations themselves the perception of our country as an excellent investment target. It promotes awareness of the role played by multinational organizations in the growth and sustained development of Spain, and works towards making our country a supportive environment for multinational companies.

1. It brings together multinational companies from different business sectors operating in Spain and who wish to show their commitment to the Spanish society and to Marca España.
2. It aims to work in three main fields: cooperating actively in the support of Marca Spain, cooperating in the promotion of our country as a target for the investments of multinational companies, and work towards making Spain a supportive environment for multinational companies.
3. It promotes the cooperation with Spanish public administrations to:
 - further Marca España and uphold the common interests of the country.
 - bring to the attention of public Administrations the aspects bearing on the decision making of multinational firms which position Spain as an investment target that guarantees the development of their activities.
4. It promotes the image of Spain within multinational companies to enhance the perception of the country as a target for future investments due to its political and social stability, high quality of life and competitiveness.
5. It promotes the awareness of the role multinational companies play in the growth and sustained development of the Spanish economy.

PARTNERS

accenture

ALTADIS

AON

BT

CITROËN

Deloitte.

DHL

DIAGEO

facebook

Grant Thornton
An instinct for growth

Google

HomeAway

HSBC

HUAWEI

ING

Ketchum
break through

L'ORÉAL
ESPAÑA

SIEMENS

THALES

Unilever



multinacionales
por marca España

Plaza de Castilla, 3 - 10 - E2 | 28046 Madrid - España | Teléf.: +34 917 895 800
informacion@multinacionalesmarcaespana.org
www.multinacionalesmarcaespana.org