

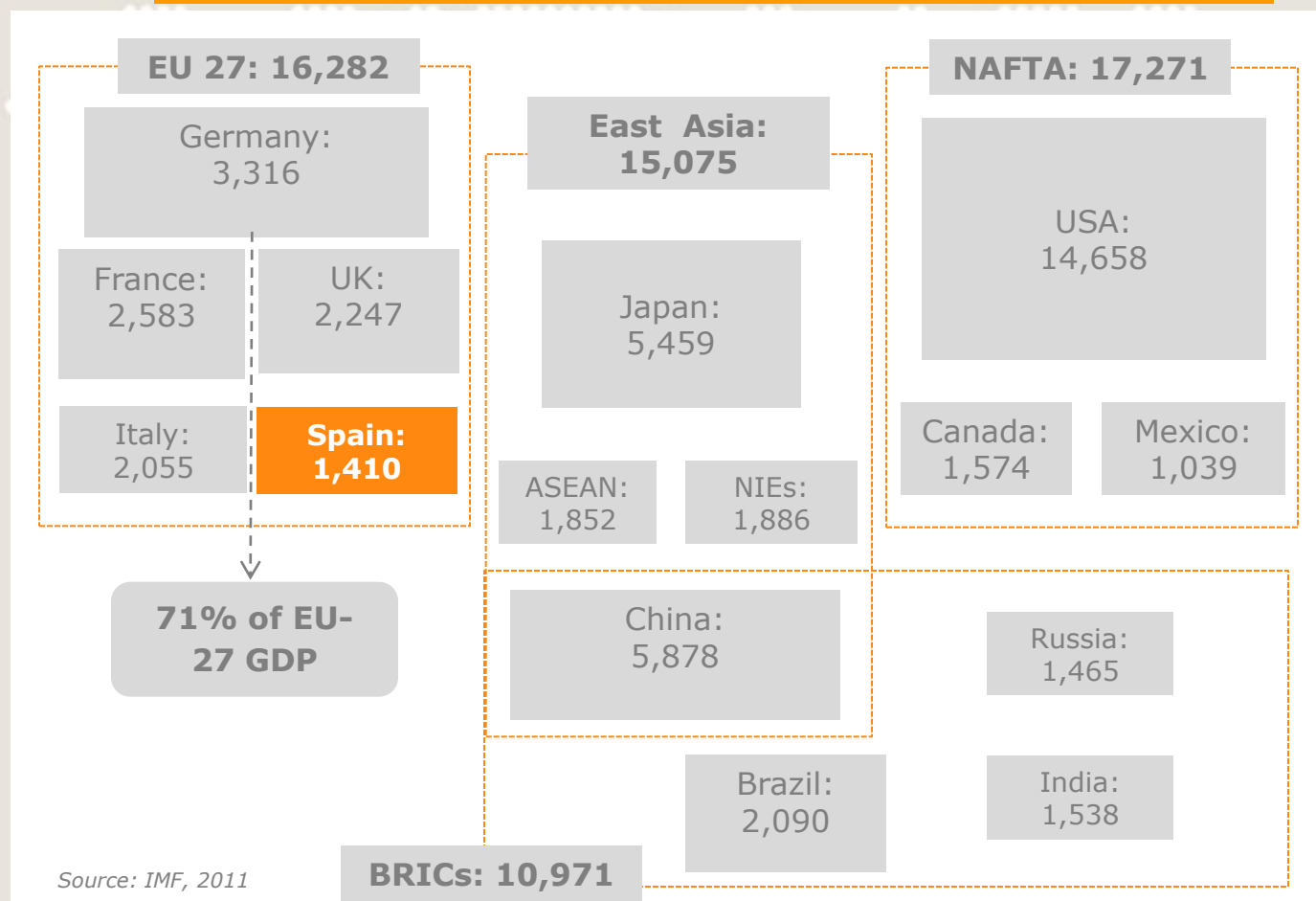
# Introduction to doing business in Spain



**David Martínez Calleja**  
Investor Services Manager

# The world's 12th largest economy: 1.4 trillions USD

## GDP comparison of major economic regions, USD billions, 2010



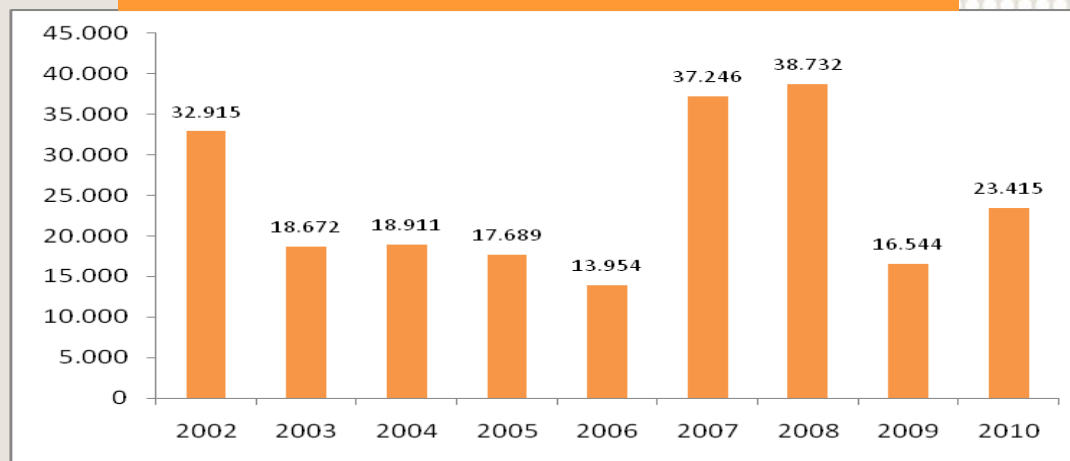
Source: IMF, 2011

**The 5th largest economy in the EU**

## Foreign Investors show confidence in Spain

- Spain holds the 7th largest accumulated inward FDI stock (USD 614,473 million), namely, 3.2% of global FDI stock.
- In 2010 FDI flows to Spain grew by more than 40% with respect to 2009 (-7% OECD and -20% EU).

FDI to Spain (2002-2010)



Source: Spanish Investment Register, 2011.

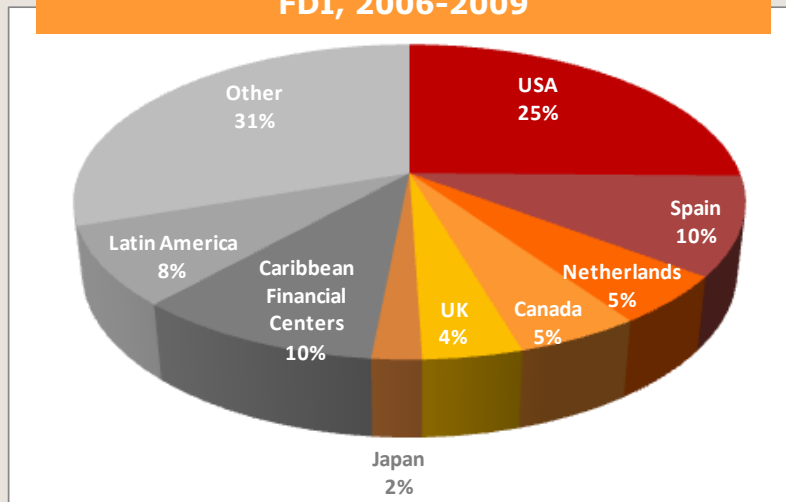
- These figures are particularly positive if we compare them with the drop in direct foreign investment experienced by developed countries .

# Spain: a FDI profile

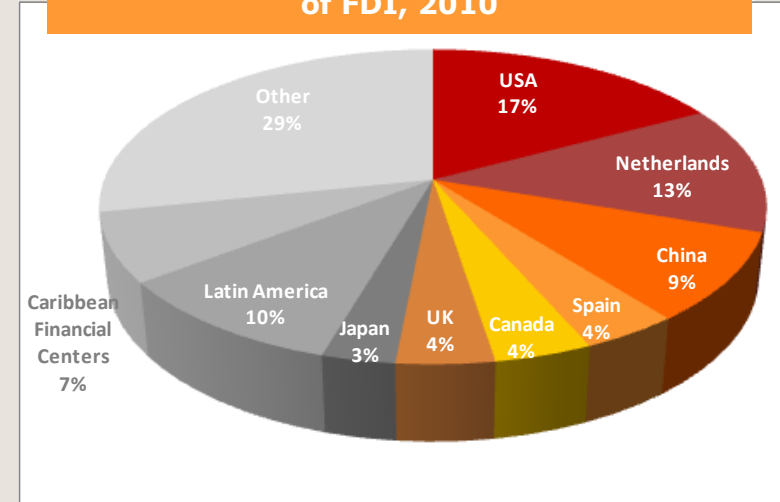
## One of the global largest investors

- Spain is the 10th largest investor in terms of stock worldwide (USD 660,159 million).
- In 2006-2009 Spanish FDI in Latin America accounted for 10% of the total, placing Spain as 2<sup>nd</sup> largest investor in the region.
- In 2010 Spain was the 4<sup>rd</sup> largest investor in the region, after USA, Netherlands and China.

Latin America and the Caribbean: origin of FDI, 2006-2009



Latin America and the Caribbean: origin of FDI, 2010



## A highly open foreign investment legal framework

- According to the OECD, Spain stands out as one of the economies with less FDI restrictions.

2010 FDI Restrictiveness Index by Country

OECD 2010 FDI INDEX	
1	Portugal 0,007
2	Slovakia 0,007
3	Romania 0,008
4	Netherlands 0,015
5	<b>Spain 0,021</b>
6	Estonia 0,022
7	Germany 0,023
8	Argentina 0,025
9	Finland 0,032
10	Greece 0,039
...	...
29	Switzerland 0,083
30	US 0,089
38	Canada 0,393

Source: OECD's FDI RESTRICTIVENESS INDEX: 2010 UPDATE

- As a general rule, foreign investments are subject only to notification after the investment has been made.

- Exchange controls and capital movements are fully liberalized and in all areas there is complete freedom of action.

- Foreign investors are treated equal as domestic investors by Spanish rules in terms of Business Climate regulations.

# Spain: a FDI profile

## Strategic Geographical position

### MARKET ACCESS:

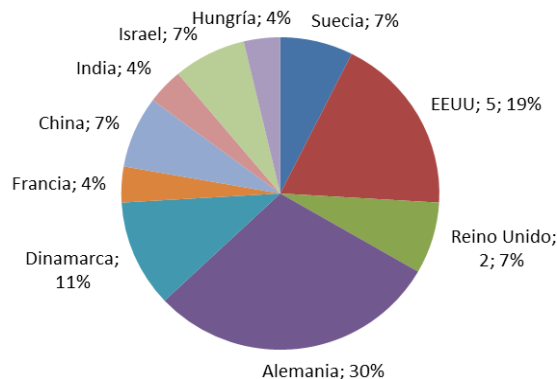
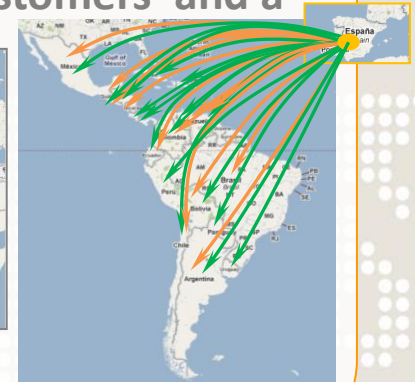
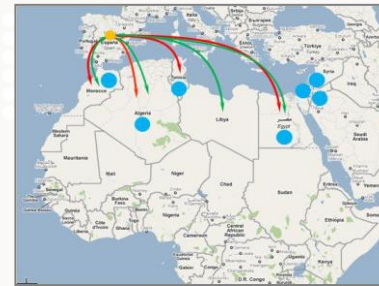
EU-27. Free access to the biggest world market with 500 million customers and a high income per capita.

#### North Africa

4 Double Tax Avoidance Agreements.  
 5 bilateral investment promotion and protection agreements  
 7 association agreements

#### Latin America

11 Double Tax Avoidance Agreements  
 19 bilateral investment promotion and protection agreements



Origin of foreign renewable energy companies established in Spain. Source: Altran, 2010

### Relevant world players are already established in Spain

Knock on effect on suppliers and competitors



# Spain: a FDI profile

## Market access

- Foreign-securities **holding entities (ETVEs) tax system** is one of the most competitive in the EU.
- The ETVE is a **legal Spanish holding company**, which is not taxed on its foreign-source income and/or gains, on the income it distributes to its shareholder, nor on the gains arising when the shareholder sells its stake in the holding company.

Morgan Stanley

BR PETROBRAS

**BOMBARDIER**

 **CEMEX**  
Construyendo el futuro™  
ESPAÑA

**TOSHIBA**



 **PBG**

**EXXON**



AMERICAN EXPRESS

**JACOBS**

*Lilly*

## Human Resources

## Infrastructures

## Taxes

## Incentives

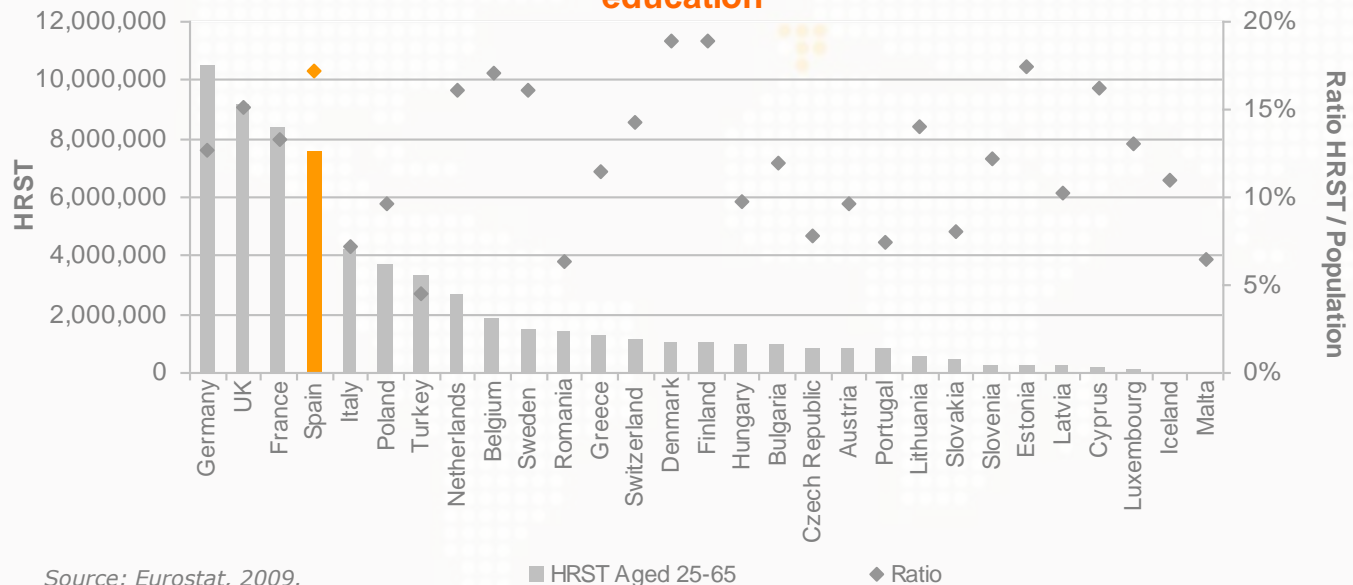
## Quality of life

Spain has **3 of top 20 Business School in the world**: ESADE, IE Business School and IESE

### Highly skilled labor force

Spain ranks **4rd in Europe** in number of persons with a **scientific/technical tertiary education**, just behind Germany, UK and France.

### Human Resources in Science and Technology with tertiary education



Source: Eurostat, 2009.

■ HRST Aged 25-65

◆ Ratio

Human Resources

**Infrastructures**

Taxes

Incentives

Quality of life

## Railway Network

Spain is the **2nd largest worldwide in High-Speed Network** and the **European leader** with **2,665 km**.

## Highway Network

Spain is the **1<sup>st</sup> largest EU highway network** with **14,689 km** (9,131 miles).

## Main Port Facilities

Excellent maritime connections, with **46 ports** on both the Atlantic and the Mediterranean coasts, putting Spain in **4<sup>th</sup>**, with 3 ports among the **Top-10 ports of containers in Europe** (**Valencia, Algeciras and Barcelona**).

## Airport Network

**250 airlines** have scheduled flights, operating out of the country's **47 airports**, being **Madrid and Barcelona** the **main hubs**.

Human Resources

**Infrastructures**

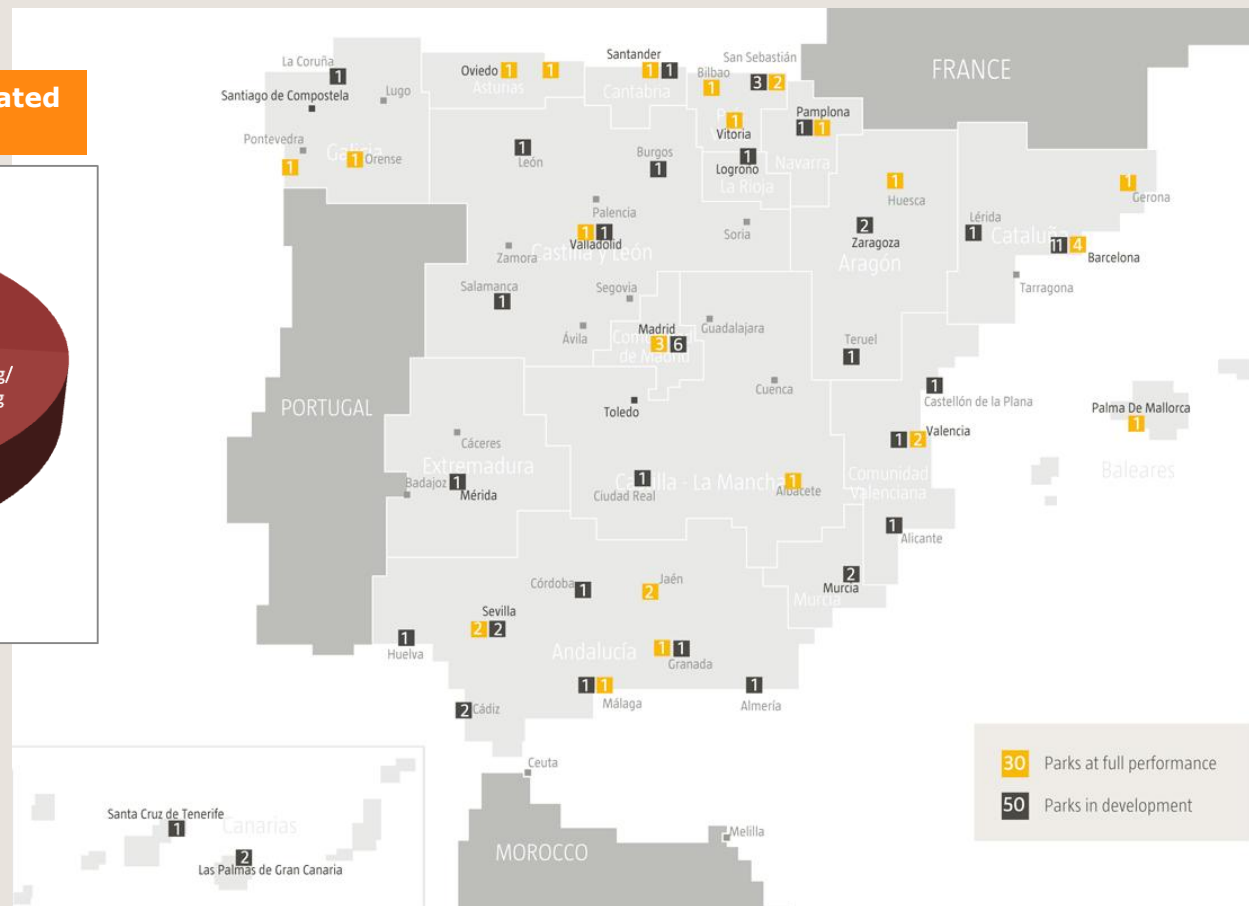
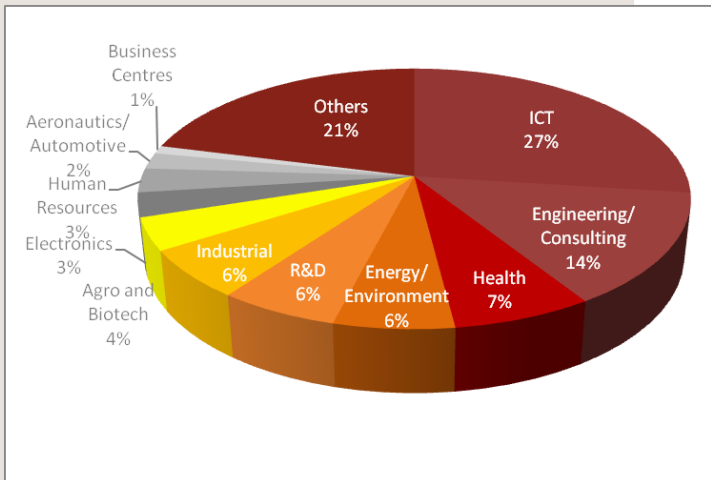
Taxes

Incentives

Quality of life

**80 Technology Parks**, hosting over 5,115 companies.

**The main sectors of the companies located in the Parks, 2009**



Human Resources

Infrastructures

**Taxes**

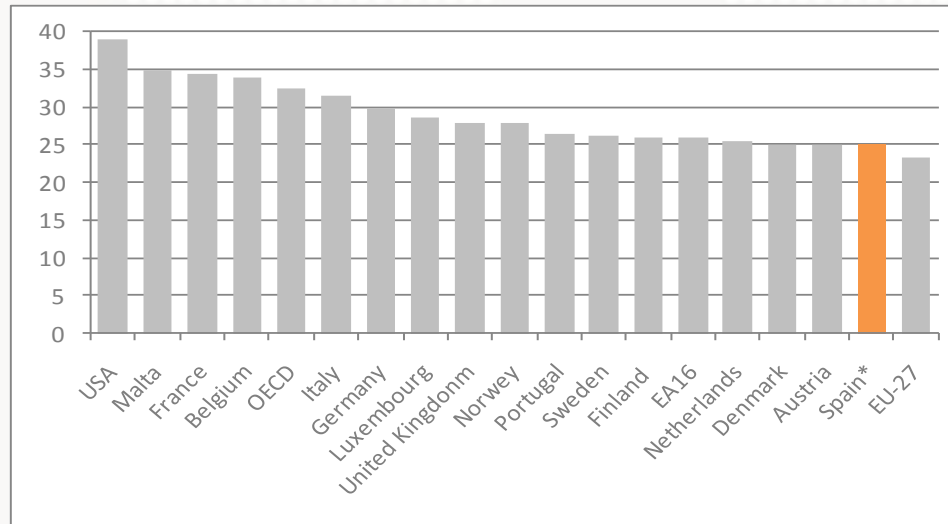
Incentives

Quality of life

- One of the **lowest VAT** within EU countries (18%), with a reduced VAT of 8%. Only the tax rate of Cyprus and Luxembourg are lower (15%).

- Favourable **tax rate on corporate income** (30% and 25% for SMEs), below **USA** and **OECD** average.

- An **attractive allowance and deduction system** in corporate tax (16,7% effective rate).



Source: Invest in Spain, from data provided by Eurostat, 2010.

Human Resources

Infrastructures

Taxes

Incentives

Quality of life

## Key Role of the Canary Islands Special Zone (ZEC) as *commercial hub with Africa and Latin America*

1. **Strategic location:** the Southern-most border of the EU.
2. **Strong historical and commercial ties** with Africa and Latin America.
3. **Support of the Canary Islands Government** and the EU.
4. **Qualified workforce** and high productivity.
5. **Excellent communications and services infrastructure.**
6. Interesting **logistic platform** to Africa and Latin America.
7. Europe's **most advantageous tax regime** (4% corporate tax rate).



Human Resources

Infrastructures

Taxes

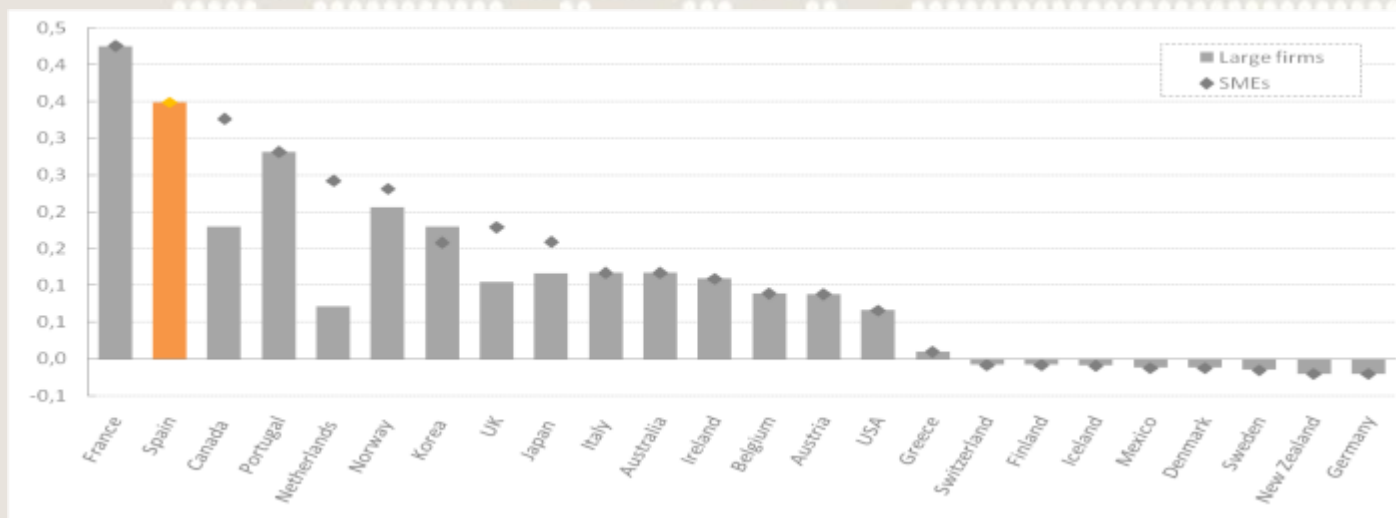
Incentives

Quality of life

## Favourable fiscal system for foreign investors and R+D activities:

- And the 2<sup>nd</sup> most favourable **fiscal incentives** for R&D among OECD countries for **large companies** and **SMEs**.

Rate of Tax Subsidies for R&D, 2008



Note: Tax subsidies are calculated as 1 minus the B index. For example, in Spain, 1 unit of R&D expenditure by large firms results in 0.349 unit of tax relief. Source: "Science, Technology and Industry, Outlook". OCDE, 2010.

**In addition, in 2008 the Spanish CIT law introduced a patent box type of incentive.** Under the new regime 50% of revenues arising from the letting of the right to use certain qualifying intellectual property (IP) rights are tax exempt.

Human capital

Infrastructures

Taxes

Incentives

Quality of life

## Friendly environment for expats

Spain is the 1st country in Europe in terms of quality of life for expats.

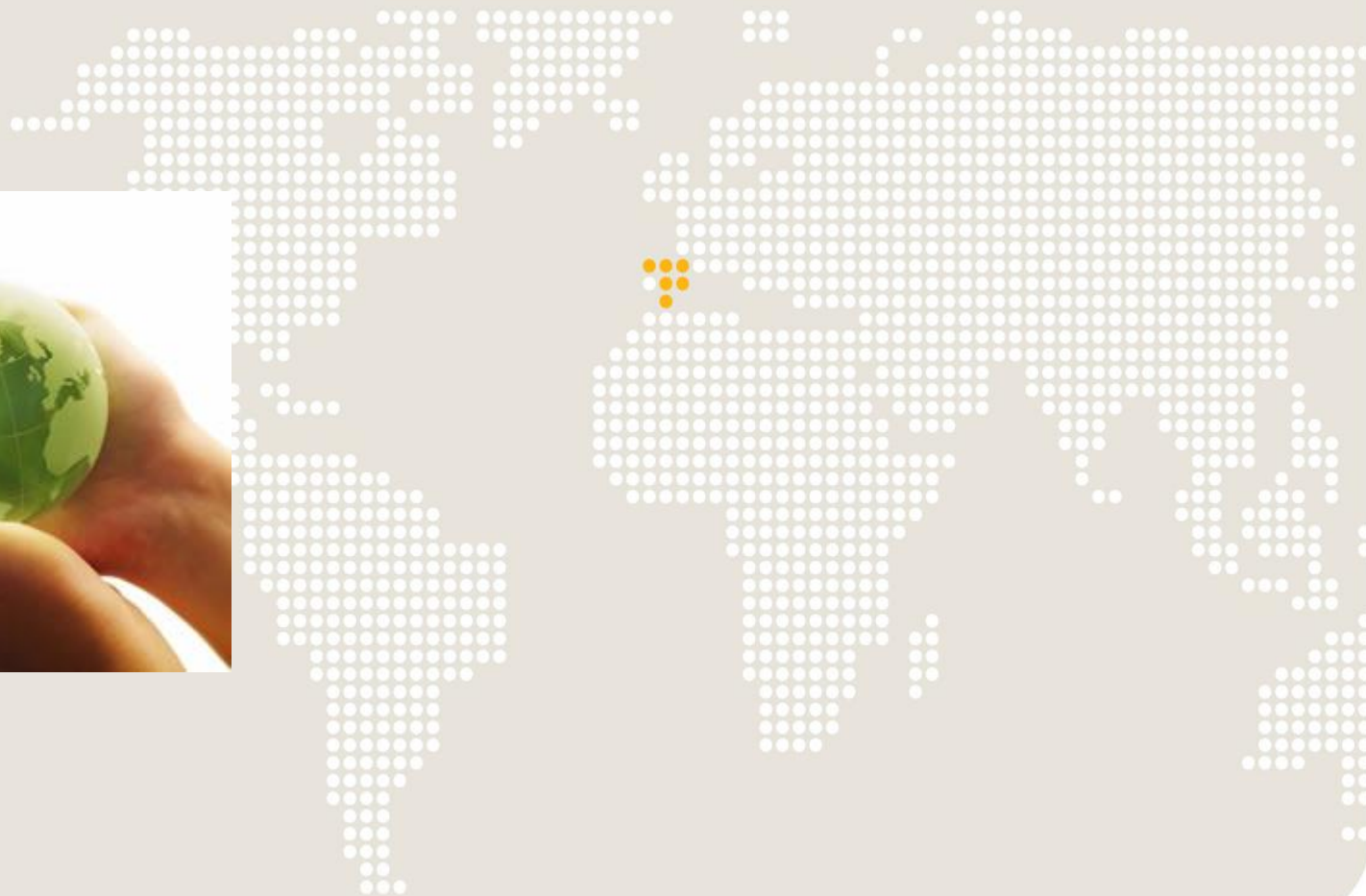
		Overall Experience		Overall Setting up		Overall Integration		Overall Quality of Life	
		Score	Rank	Score	Rank	Score	Rank	Score	Rank
EUROPE	<b>Spain</b>	<b>0.59</b>	<b>1 (4)</b>	<b>0.6</b>	<b>(10)</b>	<b>0.81</b>	<b>(1)</b>	<b>0.53</b>	<b>(6)</b>
	France	0.58	2 (6)	0.6	(11)	0.79	(2)	0.52	(7)
	Switzerland	0.53	3 (10)	0.49	(17)	0.65	(13)	0.5	(8)
	Germany	0.52	4 (11)	0.52	(15)	0.72	(6)	0.47	(12)
	Belgium	0.52	5 (14)	0.53	(13)	0.68	(10)	0.47	(13)
	Netherlands	0.48	6 (18)	0.45	(21)	0.61	(19)	0.45	(17)
	United Kingdom	0.44	7 (20)	0.49	(19)	0.69	(9)	0.37	(23)

( ) Overall ranking

Source: HSBC Bank International, Expat Explorer Survey 2010.



## Building a new energy model



# Renewable energies in Spain

## Building a new energy model: Top positions in the world

**Renewable energies covered 35% of the spanish electricity demand in 2010**

In terms of total installed capacity, Spain is :

- **CSP (Concentrated Solar Power): 1<sup>st</sup> in the world.**
- **Wind power: 4<sup>th</sup> country in the world and the 2<sup>nd</sup> in Europe.**
- **Solar PV: 2<sup>nd</sup> in the world.**
- **Small hydropower (< 10 MW): 3<sup>rd</sup> country in Europe.**

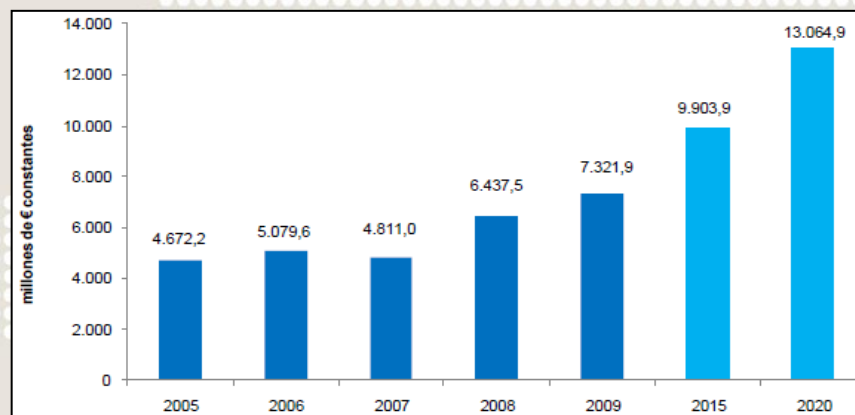
Ex: CSP Installations



Under operation / Advanced construction / Pre-assigned

Source: Protermosolar, July 2011

Growing contribution to Spanish Economy



Direct contribution to Spanish GDP from renewable energies (mill. €).  
Source: PER 2011-2020 Draft

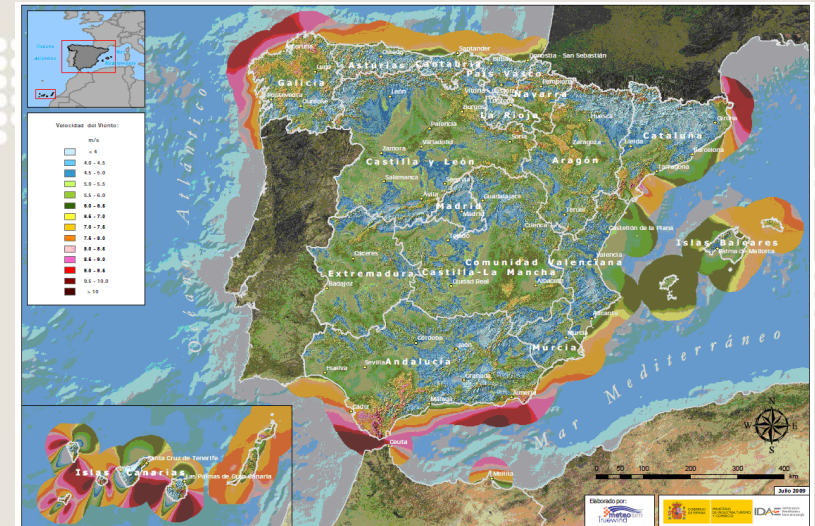
# Renewable energies in Spain

## Building a new energy model: Excellent Natural Resources

**More than 2,200 hours of wind.**  
High potential for off-shore wind power installations

✓ **Spain is the country with the highest irradiation in Europe.**  
More than 2,500 hours of sun

✓ **High potential for wave energy.**



# Renewable energies in Spain

## Government support: aids

**Feed in tariffs**

**Technical Building Code**

**R&D&i**

- Centre for the Development of Industrial Technology (CDTI):

- Credits for financing company's R&D&i projects including different costs (materials, investments, personnel, collaborations)

- Technology Fund (Invest in Spain) :funds from the European Union created to promote business R&D&I in Spain for the 2007-2013 period.  
Invest in Spain takes part in this program

**IDAE** (Institute for Diversification and Saving of Energy)

**State & Regional Aids**

# Renewable energies in Spain

## Building a new energy model: Public & Private Support

Spain has an important role to play at the Renewable Energy league with strong support from public and private entities at all the stages:

- **R&D centres with vast experience and continuous participation in Renewable Energies development and promotion.**
- **National and International companies' presence throughout the value chain of the different Renewable Energies.**

4,000 companies of differing sizes and activity, some of which are internationally renowned for their operating capacity and production of proprietary technology.

- **Industrial and professional network of highly qualified people and experienced companies.**

### R+D centres

CENER  
 ITER  
 CIEMAT  
 CSIC  
 IES  
 ISFOC  
 PSA  
 Universities  
 ....

### INTERNATIONAL COMPANIES



### PUBLIC ENTITIES & ASSOCIATIONS

MITyC  
 IDAE  
 CNE  
 APPA  
 AEE  
 ASIF  
 PROTERMOSOLAR  
 ...

# Renewable energies in Spain

## Building a new energy model: High quality electric grid system

### CECRE: Control Centre for Renewable Energies

- First centre in the world
- Mission: to integrate all Spain's renewable energy installations (mainly wind power) into the electric grid system in the most efficient and secure way

Ex: On March 2011, for the first time ever wind power in Spain was the first technology in monthly electricity production, covering more than 21% of the total electricity demand.

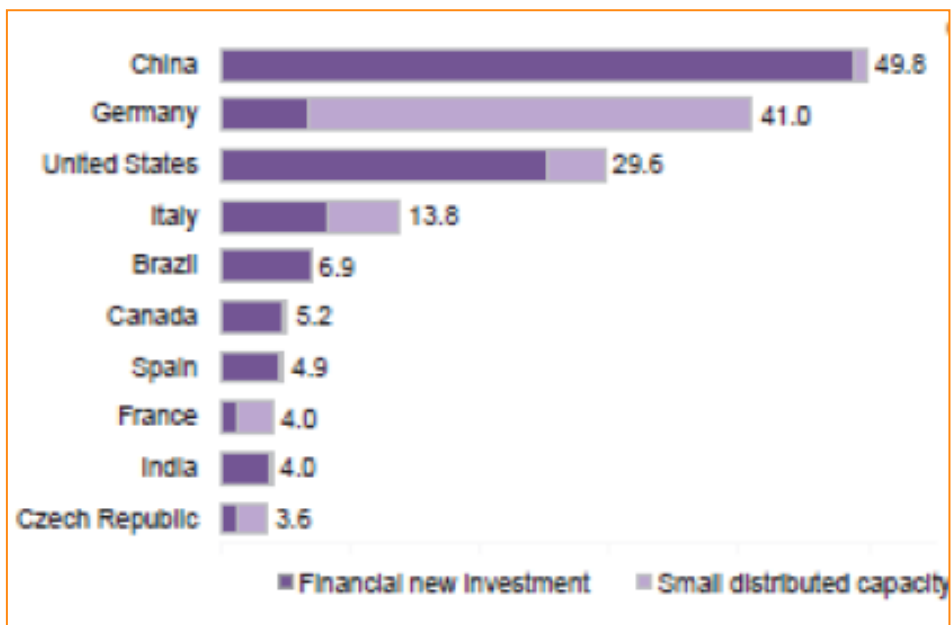


Source: REE

# Renewable energies in Spain

## An attractive country for renewable energy investments

Spain is the 7<sup>th</sup> country with highest renewable energy investments



Almost 5 billion \$ were invested in Spain in 2010 the renewable energy sector.

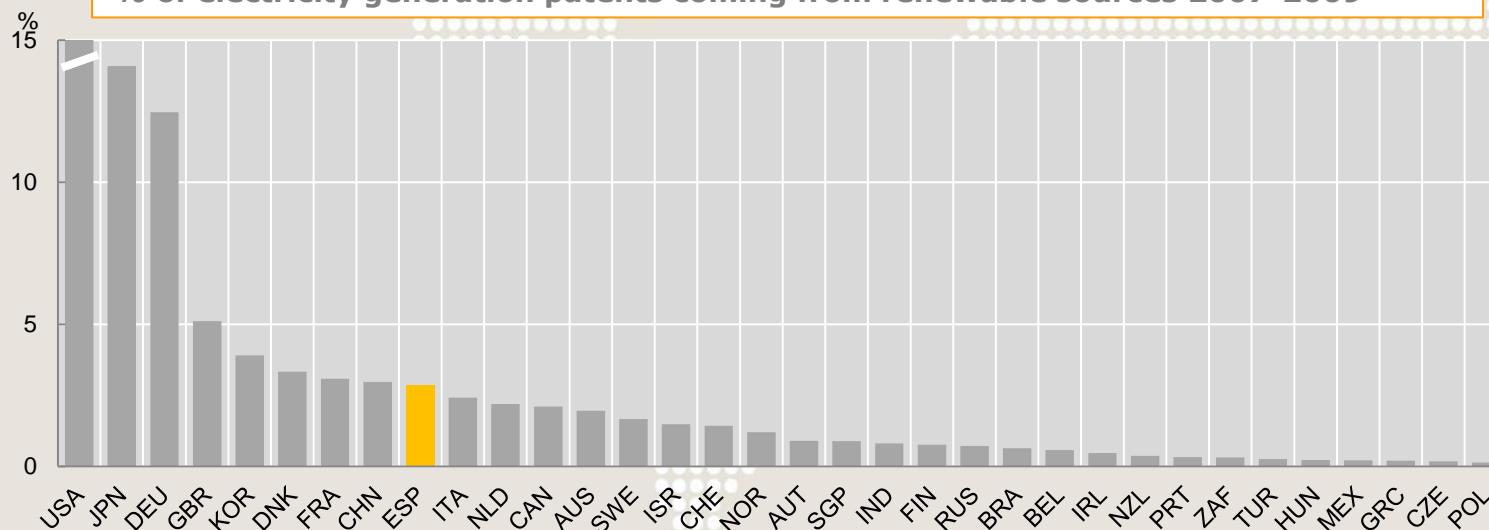
Top countries for renewable energy investments in 2010 in billion \$. Source: New Energy Finance, 2011

# Renewable energies in Spain

## Building a new energy model: Active R&D&i

- ✓ Spain ranks 9<sup>th</sup> worldwide in number of renewable energy patents
- ✓ The Renewable Energy sector in Spain invests in R&D&I over 6 times the average investment of private companies in the country

% of electricity generation patents coming from renewable sources 2007-2009



Source: OECD Science, Technology and Industry Scoreboard 2011

# Renewable energies in Spain

## Business opportunities for marine technologies

### Regional Headquarters and Sales Offices

Strategic location for LatAm, South European and North African markets

### Offshore Wind

**Manufacturing or marketing of multi-MW equipment**

#### Development of offshore wind parks

Middle-term opportunity, with objective of reaching 750 MW in 2020

#### Development of R&D activities

Excellence of Spanish R&D centres

**Development of prediction tools and systems**

### Wave/Tidal energy

**Development of prototypes for wave power**

**Logistic services**

**Development of advanced systems of prediction and site selection**

# Invest In Spain: Your Business Facilitator

## Information & Tools

- Economic, commercial and social information about Spain
- Property market
- Human resources
- Utilities
- Investment aid & incentives
- Tax
- Legislation
- Practical guidelines for administrative procedures
- Information about regions
- Publications
- Newsletter
- Useful contacts

# INVESTIN SPAIN

## Advisory Support - Facilitation of Administrative processes

- Partner search
- Location search
- Personalized cost evaluation of your planned investment

## Support for implementation in our country

- Start-up aid
- Recruitment
- Organization of visits to potential locations and regions
- Support to get an Investment aid & incentives
- Institutional contacts (national, regional and local)
- Contacts with business networks, chambers of commerce and other private bodies.
- Preparation of reports and studies.
- Organization of workshops and expert seminars
- Specialized team dedicated to serving the needs of your business.

# We take your business further

## Thank you!

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