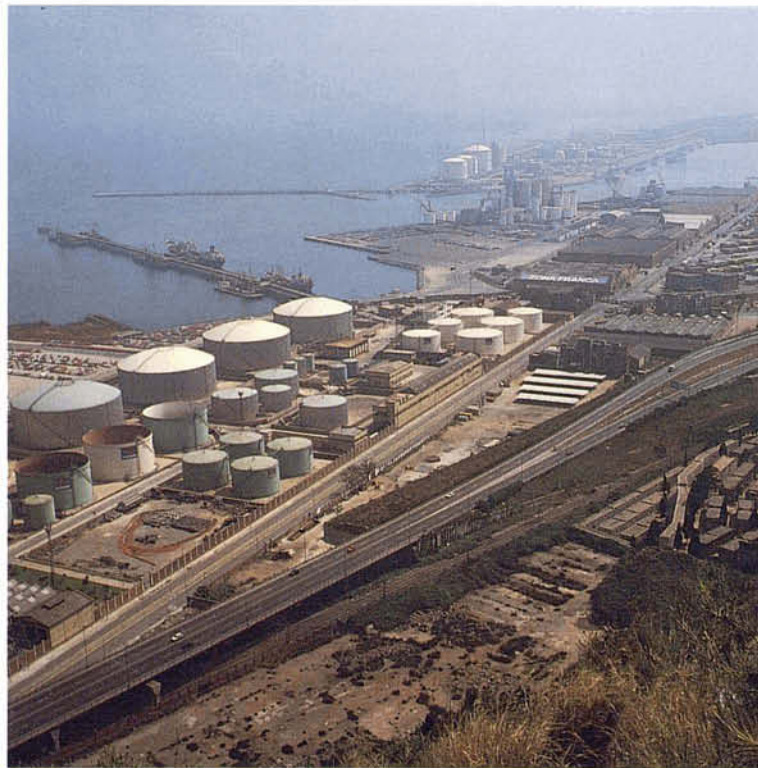


# CATALONIA, A PLACE FOR INDUSTRY

THE FINANCIAL SITUATION, THE INFRASTRUCTURE,  
COMMUNICATIONS, TAXATION AND PROFESSIONAL  
SERVICES ARE SOME OF THE THINGS THAT HAVE MADE  
CATALONIA A FAVOURITE SPOT FOR THE ESTABLISHMENT  
OF NEW FOREIGN INDUSTRIES

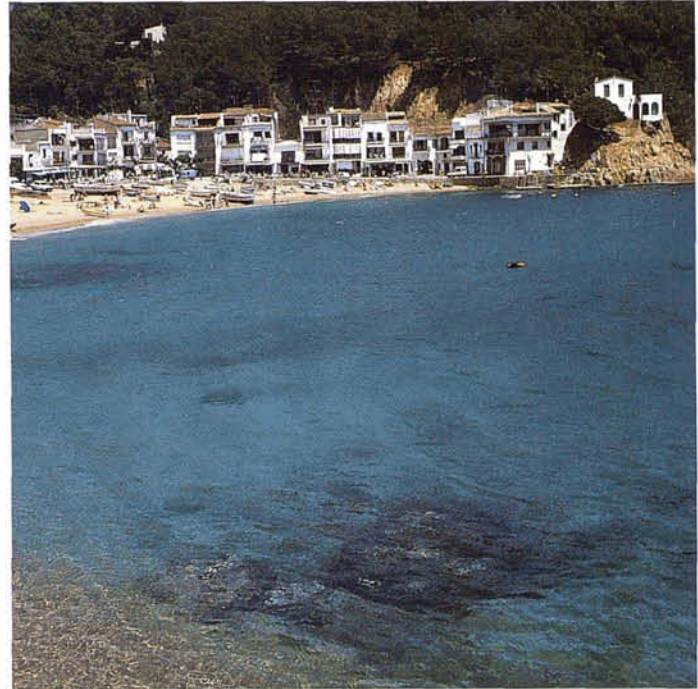
MANUEL LUDEVID DIRECTOR GENERAL OF BARCELONA AGÈNCIA DE DESENVOLUPAMENT







"PARC NATURAL D'AIGÜESTORTES". CATALAN PYRENEES.



TAMARIU. COSTA BRAVA.

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**I**n the last year, Catalonia has attracted more than 40 % of foreign investment in Spain.

Catalonia therefore emerges as one of the most popular regions of Europe for the foreign investor and, especially, for the industrial investor.

This article will set out some of the reasons why Catalonia has become a favourite spot for the establishment of new industries.

These reasons can be summed up under ten main headings.

### 1. *The Spanish Economic Situation*

In the last few years, Spain has been growing at a rate double the average for the EEC. The results of the fight against inflation, taken in comparison with the level in 1979 and setting aside the problems of the last few months, are spectacular: the differential as regards the 12 EEC countries has gone from

4.2 % in 1983 to 2.1 % in 1988. Market indicators and the figures for gross capital formation are also positive.

If the situation in Spain is good, it is even better in Catalonia. This is the first important point which attracts the attention of the foreign investor in industry, especially in a highly stable political context and in a country where business opportunities exceed local industry's ability to exploit them.

### 2. *The Market*

The Spanish market is not the same as the Swiss or Swedish markets. It is a market with a well developed industrial sector and almost 40 million consumers. Spain is the 5th largest consumer in the EEC and the 8th in the OECD. In this context, Catalonia is a privileged consumer within Spain. The Catalans' purchasing power is almost the same as the average for the EEC

(93 % of the EEC figure), while the overall figure for Spain is 77 % of the EEC average.

At the same time, Catalonia has a broad industrial base in which almost all sectors are represented. It therefore has a lot to offer producers of industrial equipment.

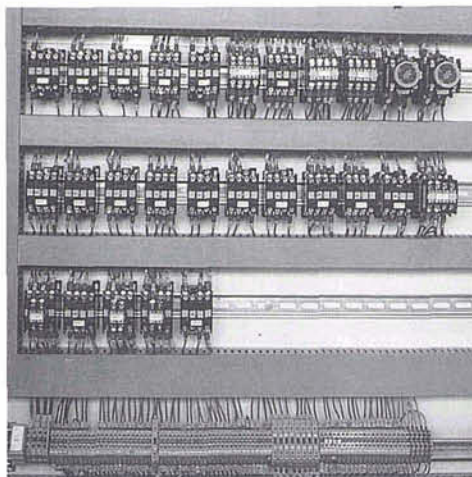
Finally, we are fortunate in that we are close to the rest of Europe and to North Africa, and that one of Spain's few motorways provides rapid communication with the border.

The Barcelona area, which concentrates 4 of the 6 million Catalans and 75 % of Catalan industry, is well placed to become a gateway to Spain and Europe and a "market test".

### 3. *Communications and Infrastructure*

Compared with Spain in general, so lacking in this aspect, the Barcelona area is in a privileged position as re-





gards road transport: in 90 minutes a lorry can get from the city to the French border by motorway.

Also, Catalonia's industrial tradition offers the possibility of finding already equipped industrial land, though at a high price at the present moment.

The existence of an active port, in spite of its shortcomings, is another point in its favour.

Most important of all is the presence of an auxiliary industry in a position to supply components or undertake contract work.

#### 4. *The People*

Spain is no longer the low wage paradise for the foreign investor looking for an industrial site, but it can be said that in Catalonia, and especially in the financial area of Barcelona, there is a labour force available at a reasonable price and with one of the highest work ethics in Europe.

Its availability is due to the self-evident problem of unemployment, which is still disturbingly high.

The price is reasonable because, in overall terms, the hourly rate in Spain (including social benefits) is still half that of Germany or the United States, and is lower than in Japan. Along with Britain and Ireland, Spain is situated in the EEC's lower wage bracket (excluding, of course, Portugal and Greece).

And what is so important: the high work ethic. The workers' sense of responsibility, their loyalty to their company, their work spirit, are all higher in Catalonia than in the majority of EEC countries. This fact is greatly valued by foreign companies, and especially so by the Japanese.

As regards training, we have serious shortcomings. But we do have some things in our favour: two of the best business management schools in Europe and some first class Technical Colleges.

#### 5. *Taxation*

No foreign company has ever had serious difficulties as a result of taxation in our country.

The 35 % companies tax compares favourably with those in effect in the rest of the EEC, and the same can be said of the Personal Income Tax.

As regards VAT, this depends on the product, but as a general rule it is not discriminatory.

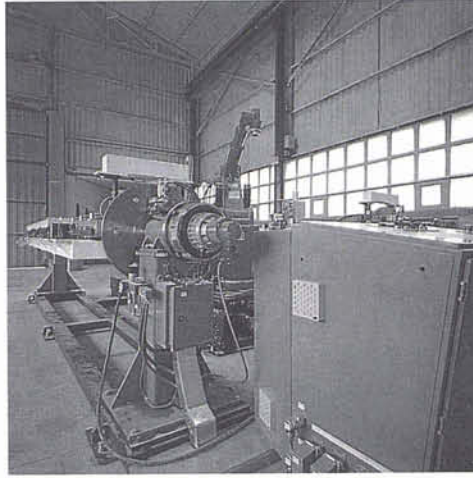
It is true to say that multinational companies in Spain face a level of taxation which is generally lower than that of other EEC countries.

#### 6. *Services to Industry*

It is increasingly easy for foreign industrial companies to find the services they need in Barcelona.

First of all, as I have already said, there is an established auxiliary industry in a position to supply pieces or undertake subcontracts.

There is also an increasing number of foreign-based advice companies, accountants, legal, technical or financial advisers, which allow the investor to continue operating with the same company as in his own country. Japanese companies, for example, prefer to use



their own engineering firms in the construction of their factories. The presence of these companies is reassuring to the foreign industrial investor.

#### 7. *The Incentives*

Contrary to what many people think, the incentives or public funds which are offered to companies for next to nothing are only a secondary factor when it comes to choosing an industrial location.

Nevertheless, while non-returnable incentives are tolerated in the EEC (something which will happen less and less frequently), it is a good idea to have some such system or other.

The ZUR system (Urgent Industrialization Zones) allowed us to compete on equal terms with the rest of Europe until June 1988. As is generally known, subventions covered up to 30 % of fixed assets investments. We at the Barcelona Agència de Desenvolupament estimated that the foreign companies included in the ZUR plan received an average subvention of 15.4 %.

To this figure should be added tax deductions and research and development aid.

Unfortunately, the new FEDER system, which replaces the ZUR, only allows subventions of up to 20 % of fixed assets investments, and tax deductions for investors have tended to diminish.

#### 8. *The Quality of Life*

Fresh fish or golf all the year round are not easy to come across all over Europe. Neither is the chance to choose between skiing and sailing every weekend. The climate is mild, nature –still– abundant, the people open and the food excellent. There is a big difference between working in Helsinki and working in Barcelona.

On the other hand, Barcelona is a cosmopolitan city, full of the cultural, commercial and recreational attractions of any large European city.

#### 9. *The Olympic Games*

The Barcelona Games are a spur and a tool for marketing, and not only in the

case of the construction, telecommunications and sports goods companies.

They are an invitation to take advantage of an added attraction, since the Games will make Barcelona the focal point of many cameras.

They also provide the chance to bring the city to people's attention and are a suitable starting point for the job of promoting the city.

#### 10. *The Co-operation of the Local Authorities*

We Catalans are lucky in that our country's two most important political leaders, Jordi Pujol and Pasqual Maragall, are great business promoters on an international level. This has led to the development of policies in favour of foreign investment, which companies value very highly.

For these reasons and others, industrial companies all over the world choose Catalonia, a country which has opened its doors to foreigners since the earliest days of its existence and which is proud of the fact. ■