

# Spain: strategically positioned

American multinationals are key players in a wide range of sectors says Samuel Passow

According to the American Chamber of Commerce in Spain, there are 532 US companies or subsidiaries of US companies currently operating in Spain. As the second-largest single investor in Spain last year, the US alone accounted for nearly half of all inward FDI to Spain in the past decade, ranking Spain as the seventh most important investment destination for US firms in the 25-nation European Union.

"Spain is one of America's strongest allies in Europe," says Ms Begonia Cristeto, Chief Executive Officer of the newly formed INTERES — Invest in Spain, the national investment promotion agency. Adding, "We not only have a firm democracy but also a system of government that implements policies. Most notably, they deliver economic growth. This is why Spaniards today are about 75% richer than they were 30 years ago, and have seen their economy grow faster than the European average for nearly 10 years."

American multinationals in Spain are key players in a wide range of sectors. They are best represented in the industrial sector, especially car manufacturing and auto parts, pharmaceuticals, and chemical products. For example, in the pharmaceutical sector, US companies represent 38.2% of all sales, 18.8% of employment and 15.9% of research and development investment. In total, revenues from US firms operating in Spain in 2005 represent 7.1% of the country's gross domestic product. These 532 firms also accounted for 330,000 jobs, or 3.1% of the private workforce and 10% of all private funds spent on R&D.

In recent years, the US presence in the service sector has been increasing steadily, mainly in information technology and consulting services. The US is also the second-largest investor in equities in Spain after the UK.

Spain is a sophisticated knowledge-based economy with services accounting for 65% of economic activity. The country has become a recognised centre of innovation supported by a young highly qualified workforce, 38% of whom hold a university degree. The seventh-largest economy in the OECD, Spain commands a strong geo-strategic location by belonging to the European Union and having direct access and connection to the MENA market (Middle East and North Africa) as well as the bridge to Latin America due to its solid business, historic, cultural and linguistic links with those regions.

According to Gayle Allard of the Elcano Royal Institute, one of Spain's leading international affairs think-tanks, "many US groups that are present in different European countries are establishing holding companies for their European operations in Spain. The reason why is because the country has one of the most favourable regimes among developed countries for the treatment of foreign holding status."



Left: Begoña Cristeto,  
Chief Executive Officer of  
INTERES Invest in Spain

"We want to attract foreign capital in order to boost economic growth and employment," says Ms Cristeto. "That is why we intend to promote strategic sectors with high added-value and advanced technological content, in which Spain has proven itself competitive. INTERES — Invest in Spain offers tailor-made, quality-based services to foreign investors, covering the different phases of the process: pre-investment, investment, re-investment and consolidation of the company in Spain."

Formed in October 2005, INTERES works closely with all institutions involved in investment promotion, at national, regional and local levels and is becoming the reference point in Spain for investment matters. The country has a strong tradition of regional government and identity and INTERES plans to establish ties with the regional and local authorities "to have them consider us part of their network and vice versa, reinforcing the message of Spain as an investment destination," says Ms Cristeto. Adding "we will put at their service our resources and the information generated by our research specialists so they can benefit from our activity, which creates synergies. We will also give them the necessary support."

What will this mean for US companies investing in Spain? According to Ms Marian Scheifler, Chief Operations Manager for INTERES — Invest in Spain "we are 100% committed to maintaining existing investments, and boosting the expansion of US companies already established in our country. Working with our New York office, we regularly survey investors to identify their problems and needs, and use the results to determine the services that we have to offer in the Growth and Investor Developed Program, and to establish measures to improve the general business climate in Spain."

Spaniards highly appreciate working for US companies. According to a recent study conducted by the Barcelona-based business school ESADE in conjunction with the human

Top 10 US Firms Operating in Spain in 2004 By Revenue	
Revenue €	Spanish Subsidiary Name
6,363,083,500	GENERAL MOTORS ESPAÑA, S.L.
5,200,091,000	FORD ESPAÑA, S.A.
2,991,706,344	DAIMLERCHRYSLER ESPAÑA, S.A.
1,186,568,585	HEWLETT-PACKARD ESPAÑOLA, S.A.
1,075,302,000	DOW CHEMICAL IBERICA, S.L.
988,118,000	UNILEVER BESTFOODS ESPAÑA, S.A.
816,417,000	ATLANTIC COPPER, S.A.
809,000,000	MARSH, S.A.
711,089,474	PHILIP MORRIS ESPAÑA, S.A.
670,479,952	COCA COLA ESPAÑA (CIA. DE SERV. DE BEBIDAS REFRESCANTES, S.L.)

Source: AmCham Spain

Top 10 US Firms Operating in Spain in 2004 By Employment	
Employment	Spanish Subsidiary Name
8,400	GENERAL MOTORS ESPAÑA, S.L.
7,598	FORD ESPAÑA, S.A.
6,801	ACCENTURE, S.L.
6,657	COCA COLA ESPAÑA (CIA. DE SERV. DE BEBIDAS REFRESCANTES, S.L.)
5,362	DAIMLERCHRYSLER ESPAÑA, S.A.
4,902	LEAR AUTOMOTIVE SPAIN, S.L.
4,700	IBM ESPAÑA, S.A.
4,500	ALCOA, S.A.
4,028	COMPANIA GENERAL DE TABACOS DE FILIPINAS, S.A. (CdF)
3,736	ZARDOYA OTIS, S.A.

Source: AmCham Spain

resources consulting company Great Place to Work, five of the 10 companies considered the best place to work in Spain were US companies (Lilly, GE, Accenture, Computer Associates and the Hotel Arts-Ritz Carlton.).

Spain and the United States have been working together under a Friendship, Navigation and Commerce (FCN) Treaty and a Bilateral Taxation Treaty since 1990. Spanish officials have indicated that they would like to keep the FCN, despite reports

that the EU Commission in Brussels would like Member States to terminate bilateral FCN agreements.

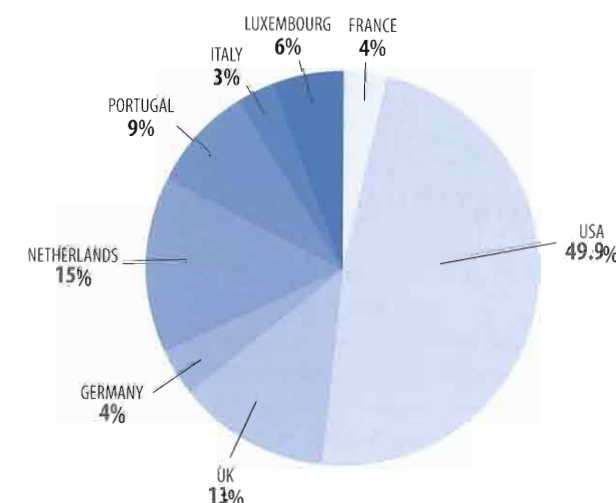
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FDI IN SPAIN IN 2005 GROSS FOREIGN INVESTMENT 2005		
1.	FRANCE	44.7%*
2.	USA	17.1%*
3.	UNITED KINGDOM	8.3%*
4.	GERMANY	8.3%*
5.	NETHERLANDS	2.9%
6.	SWITZERLAND	2.8%
7.	PORTUGAL	2.6%
8.	ITALY	2.0%
9.	OTHERS	11.3%

Source: Spanish Ministry of Industry, Trade and Tourism

\*In 2005 France Telecom bought Amena

FOREIGN DIRECT INVESTMENT IN SPAIN  
GEOGRAPHICAL BREAKDOWN %, 1994-2003



Source: AmCham Spain

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