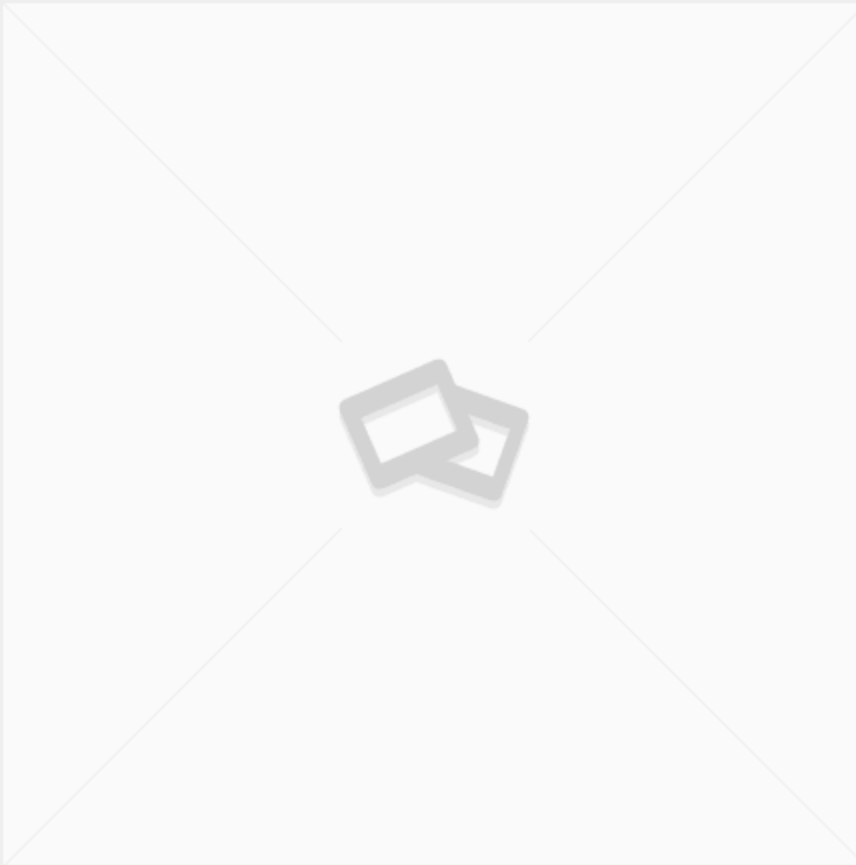
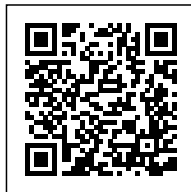


PLACING A VALUE ON CHANGE

Posted on 21/04/2008



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Barcelona's industry is responding to global competition by putting an emphasis on skills, technology and efficiency, says Juan Ramón Ramos, Landwell managing partner based in Madrid and Barcelona.

El éxito de la economía española y el relativo incremento de los precios en los últimos años han tenido un efecto directo en la inversión extranjera, comenta Juan Ramón Ramos, socio director de Landwell España. Sin embargo, Barcelona

permanece como
centro neurálgico
industrial y el segundo
centro de servicios en
España; la ciudad y sus
alrededores están
beneficiándose del
énfasis puesto en la
especialización y en la
capacidad de ofrecer
productos de calidad y
con valor añadido .

Despite the economic change that
has come over Barcelona and
Catalonia in recent years, it
remains Spain's leading industrial
centre, and its second-most important centre
for services, says Juan Ramón Ramos,
Landwell managing partner based in Madrid
and Barcelona.

'From an economic point of view, Spain's
integration into the EU has brought with it
rising international investment, rising living
standards and salaries – and Catalonia is
among the regions to have most benefited.'

It is perhaps inevitable however, that such
economic success may counteract some of
the initial attractions of the country, he says,
with certain aspects of foreign investment
having decreased since the accession in to
the EU of Central and Eastern European
countries with their cheaper labour costs.

'There has clearly been an impact on
Barcelona's manufacturing sector, in which
respect we have assisted some local clients
move their operations across Europe and the
North of Africa. But this is a global issue. All
of the European economies are themselves
facing competition from the Far East, notably
China, with its even lower production costs –
and perhaps lower quality output.'

International tax issues have also come
into play, he adds. 'The introduction of tax
and investment incentives, and the ability of
companies to capitalise on them, has also
helped some companies to delocalise.

But a clear response within the region has been to increase skills and efficiency of output, with a number of manufacturers now enjoying increased local productivity. Seat, he notes, which moved temporarily part of its Spanish production to the Czech Republic, now operates one of Europe's most efficient car production plants at Martorell, on the edge of Barcelona – producing 2,000 units a day.

✖ Reflecting the increasing importance of research and development across the region, the plant also now incorporates Seat's global design centre, which it operates in collaboration with the Barcelona business school ESADE (Escuela Superior de Administración y Dirección de Empresas) and Pasedena's Art Center College of Design.

'We are seeing an increase in the emphasis on local talent – a number of companies that had considered relocating their operations, even elsewhere within Spain, have begun to reassess their strategies as a result of higher than expected transfer costs and the potential loss of talent that would result,' he says.

The dramatic fall in Spanish residential and real estate values is also having an impact, Ramón notes, with a decline in new construction projects regionally.

Nonetheless he sees new business opportunities across the construction and real estate sector, including the acquisition of property portfolios and other assets. The collapse of some real estate companies, which owns prime commercial real estate across the Mediterranean, he suggests is reflective only of the prevailing credit conditions.

'The current economic climate is placing severe pressure on companies balance sheets, which in turn has forced some to look for cash injections, or to renegotiate loan agreements with banks and financiers. A lot of companies are asset-rich but cash-poor – this brings a rising amount of refinancing, restructuring, tax

reorganisation work, and legal advice even on failure of payment procedures.

In addition, Ramón sees opportunities emerging from Barcelona's vacated former industrial sites. 'Brownfield redevelopment opportunities are emerging, as many factory sites have been absorbed into towns and consequently sit on prime real estate.'

He notes however that while there may be few public redevelopment incentives to encourage new business investments, Spain's personal tax regime does offer incentives, and which cumulatively helps add to the region's attraction as a base for multinational operations.

'The 25% flat rate over five years is a major advantage for foreign executives. Many are happy to come to Barcelona, to live near the sea, and enjoy the benefits on offer.' Service and knowledge-based industries now account for an increasing proportion of the Catalan economy, he states. 'It is part of a logical evolution, to move away from an economy dominated by primary industries to one offering more value-added services.'