

Spain

GOING GLOBAL

ON THE CREST OF THE WAVE

These may be financially turbulent times, but Spain's growing economy appears more than buoyant.

There are few countries better positioned to withstand the stormy conditions currently afflicting the world's economy than Spain.

After 14 years of consistent economic growth – often double the European average – the Iberian nation has attained a strong fiscal position and become a focal point for foreign investment.

Now the world's eighth-largest economy, it has created 3 million new jobs in the past four years and reduced unemployment from 25% in 1994 to 8.6% in 2007.

Spanish banks, publishing houses and energy companies maintain a strong presence in the former Latin American colonies of Mexico and Argentina. Spanish companies are actively involved throughout Europe, and the further internationalization of the Spanish economy is a high priority for the country's business community.

Last year, Spain achieved a budget surplus of 1.8%, and it is projected to attain a surplus of 1.2% of GDP in each of the next three years. Although economic growth is expected to slow this year, Spaniards are enjoying

record levels of prosperity.

In a notable vote of political confidence, Prime Minister José Luis Rodríguez Zapatero and his socialist party government were re-elected for a second four-year term of office in March.

The country's biggest provincial cities have a vibrancy and character of their own. With its extensive and high-quality transport infrastructure, Madrid provides access to global markets and is becoming the corporate capital for Latin American operations, especially among telecom and financial entities. Barcelona is a major industrial, commercial and cultural center, while Valencia is the leading Spanish Mediterranean port in terms of trade and container traffic.

Given the economic potential, Rafael Ferrando, president of Valencia's Confederation of Business Organizations, is pressing the urgency of his city to acquire a high-speed train connection with Madrid. He envisions the port of Valencia becoming the biggest logistics platform in the Mediterranean and Europe's gateway to Asian traffic.

Yet, in spite of the remarkable

transformation that has been achieved, there are still those who imagine Spain to be a clichéd, sun-soaked tourism destination rather than the high-tech, first-world nation it has become.

To correct such misconceptions, the Spanish Institute for Foreign Trade (ICEX) has launched "España: Technology for Life," a campaign to present an up-to-date image to the world of a technologically advanced Spain.

"We want people to know that three out of every five planes in the world use Spanish traffic systems, and Spain is one of the world's leaders in the field of renewable energy," says Ángel Martín Acebes, executive vice president of ICEX.

"We are one of the most advanced countries in the world in water management and desalination. Six of the world's top-ten infrastructure companies are Spanish. They have a global presence and are undertaking important projects in the U.S."

Begoña Cristeto, chief executive of INTERES, a government agency established in 2005 to attract foreign investment,



KARL JOSEPH

Madrid's vibrant street life

says that some 12,000 foreign companies are active in the country, contributing more than 60% of investment annually. "We offer one of the most dynamic economies in Europe. We also offer a gateway to both the North African market and to Latin America," she says.

"British Telecom, Alston, Fujitsu and Vestas are just a few examples of companies that have moved their Latin American operations to Madrid in the

last few years." She adds that the Madrid government offers a package of incentives and grants to foreign investors, and that priority is given to attracting American companies.

"The success of Spanish companies in the U.S. has been a huge propelling factor for their success globally," says Ricardo Martínez Rico, a deputy finance minister in the conservative government of José María Aznar and now a founding

partner and managing director of Montoro & Associates, a strategic consulting firm.

The increasing global presence of Spanish firms is rapidly changing the international image of the Spanish business community, he says, but adds that it remains important "to make Americans more aware of the quality of Spanish businesses."

One of the ways this is achieved is through strengthening ties between the two countries in the field of higher education.

ESADE, a leading Spanish business school, has recently established a number of innovative agreements with leading U.S. education centers. The school is co-developing a program on social innovation with the Stanford School of Business, and is developing programs to bridge the fields of design and management with the Art Center College of Design in California.

ESADE has also recently launched a Global Executive M.B.A. in partnership with both the Business School and the School of Foreign Service of Georgetown University.

ESADE Creapolis, a state-of-the-art campus and creativity park, which will also house small businesses in their initial phases of development, will open in 2009.

Former Prime Minister Aznar, who is now president of the think tank Fundación FAES, points out that, during his administration, Spain began to develop its international presence, and that it is now well positioned to survive the current global economic problems.

This, he says, is because of the strength and dynamism of the private sector. "Our banks and construction firms are global forces, and there is a multitude of successful small- to medium-sized enterprises," says Aznar.

"While growth may slow in the coming years, Spain will continue to be a leader in Europe and an emerging force in the global marketplace." ■

By Michael Knipe

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City of dreams

Valencia is setting the pace in trade, sporting events, tourism and innovation.

If there is a get-up-and-go region in Spain, it has to be Valencia. With a prime location in the western Mediterranean, this region of 5 million people is home to 420 multinationals and accounted for a tenth of Spanish GDP last year, or \$150 billion.

In terms of export volume, Valencia's contribution represents 11.8% of the country's external trade. Nowhere else is the velocity of money so intrinsically tied to sporting events or to internal combustion. Last year, the 32nd annual America's Cup created 80,000 jobs. This summer, Valencia's capital city will play host to Europe's Formula 1 Grand Prix.

Why is this region so driven? Antonio Lis Darder, director general of Valencia Community Investments (VCI), thinks it might be a result of the region's industrial legacy together with its pro-business attitude. "Valencia was one of the first regions to realize that liberalizing the investment market was crucial. It put foreign and national investors on the same playing field," he says.

These days, the VCI Web site gets 35,000 hits a day, and there are 31 U.S.-based companies onboard. "You don't have to deal with multiple bureaucracies here. We help you from start to finish – something U.S. investors greatly appreciate," says Lis.

Today, GDP growth here is 2% above Spain's national average, thanks to a dense network of small- to medium-sized enterprises producing everything from Pikolinos shoes to high-end ceramic tiles.

The port of Valencia, with its intermodal cargo terminals, serves as their business card. Carmakers such as Ford use the port's terminals to export 64% of their production. The port generates more than \$1.7 billion a year and is ISO 9002/94-certified.

"Our quality seal goes beyond the wet port and links to dry-port services, freight forwarding and door-to-door



KARL JOSEPH

delivery," says Rafael Aznar, chairman of the Port Authority.

With 7.4 miles of quayside and nearly 1,500 acres of terminals, it has become Spain's top-ranking port for container trade.

The VCI director thinks the current momentum is sustainable in the long run. The population has grown 20%, drawing in talent from other less buoyant places, and he believes solid infrastructure and a focus on R&D will continue to set Valencia apart.

"In 1995, we were the sixth-ranked region in terms of FDI, with roughly \$1.4 billion. By 2003, we were ranked third, with about \$4.7 billion. That's an increase of roughly 200%," says Lis.

This year, the effigy-burning festival known as *Les Falles* took place during the Easter holiday. More than 1.5 million visitors flocked to the city of Valencia to revel in the iconoclastic fireworks.

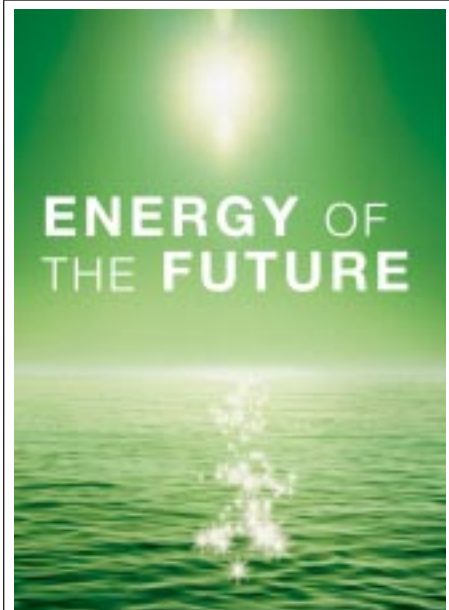
In 2007, about 1.3 million visitors attended a total of 40 events at Feria Valencia, the flagship convention center. VCI sees tourism and sporting events such as the America's Cup as marketing tools. The Formula 1 Grand Prix alone is expected to draw in \$78.5 million from August 22 through 24 this year.

The real test, however, is whether the various events manage to create investment synergies. Lis sees his role at VCI as a conductor of dream projects, from supply-chain innovations to film studios.

The *Ciudad de la Luz*, or City of Light, is the latest incursion into technology-driven industries. The project is based

on the city's tradition of fireworks craftsmen, stage-set professionals and recording studios. There are more than 700 companies working in the sector, and VCI has a strategic plan to showcase them in Los Angeles and New York. "Within five years, the City of Light will work at 100%," Lis predicts. ■

By Paul de Zardain



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Masters in business education

Spanish universities are ranking among the top tier of European business schools.

Spanish universities are taking steps to conform to a standard EU educational system to facilitate the exchange of students, lecturers, researchers, information and employment.

This system also enables universities to set their own admission requirements in place of national college entrance exams.

Several universities and business schools currently offer a Master of Business Administration degree. One of these, ESADE (Escuela Superior de Administración y Dirección de Empresas), is a business school with campuses in Barcelona, Madrid and Buenos Aires. It attracts students from all corners of the globe and offers M.B.A. and executive education programs, and undergraduate and Master in Management degrees.

ESADE was established as an initiative of the Spanish business community, and as it celebrates its 50th anniversary this year, Dean Xavier Mendoza says the relationship with the business community is closer than ever.

"Our model invites and engages senior executives on a systematic basis to teach and participate in our courses. We give our faculty many opportunities to interact with the business community, and many of them sit on the boards of

prestigious multinational companies," he says.

ESADE was one of the first business schools to obtain the three most-recognized awards in its field and is ranked among the top ten business schools in Europe.

The dean says that foreign students, particularly Americans, are attracted to the school because of its primary location in Barcelona, its unique M.B.A. program and its superior language school. "All of our international students have been delighted with how fast they've gained proficiency in Spanish while earning their international M.B.A.," he says.

Among ESADE's priorities are the maintenance of its preeminence in renewable energy issues and the development of its links with the Far East. "Our strategy for Asia is to develop exposure to the realities of emerging markets, especially the giants like China and India, not forgetting Southeast Asia," says Mendoza.

The school is exploring the process of offering executive education programs in Asia and looking to partner with key colleagues. "We've recently signed an executive education contract with Bayer, and some of the courses will be run in Asian and other global locations," he adds. ■

By Michael Knipe



A DIFFERENT SPEED

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From high speed to high tech

Spain is setting the pace in innovative technology and making inroads into the U.S., where it is building New England's first desalination plant.

Eight Californian lawmakers flew to Spain in March to study the country's expertise in the development of high-speed rail systems.

They also investigated various other projects, including the progress being made in the innovative development of solar power, liquefied natural gas and desalination. The American interest reflects Spain's growing eminence in high-tech industries.

A 180-mph rail service between Madrid and Barcelona began in February, with trains that can complete the 342-mile journey in two hours and 35 minutes.

This is just one example of the engineering skills that are boosting Spain's worldwide reputation. By focusing on niche technologies in aerospace, Spanish companies have become leaders in the manufacture and maintenance of small- and medium-sized aircraft, gas-turbine engines and flight simulators.

Indra, the country's top information technology and defense systems company, has developed ticketing systems that are used by some of the world's main underground railway systems, including those in Paris, Shanghai and Athens.

In electronics, information technology and telecom products and services, Spanish companies devote 16% of their workforce to R&D and have established strong positions in a range of fields from traffic-monitoring systems to simulation equipment.

Secuware, a leading information-security company founded in Madrid in 1998, has government and commercial customers in more than a dozen countries. It opened its U.S. headquarters in Sunnyvale, Calif., in the heart of Silicon Valley two years ago, and customers

include Warner Bros. and Wal-Mart.

A long-standing area of Spanish expertise has been water desalination, a technology developed in the Canary Islands in the 1970s. Alicante, a coastal city in southeastern Spain with a population of 310,000, receives 40% of its water from desalting facilities.

The Spanish government is undertaking a large public-works program known as A.G.U.A., which will transform the national water system, increasing the number and size of desalination plants in order to meet growing demand.

IN ELECTRONICS, INFORMATION TECHNOLOGY AND TELECOM PRODUCTS AND SERVICES, SPANISH COMPANIES DEVOTE 16% OF THEIR WORKFORCE TO R&D

New England's first desalination plant is being designed, built and operated by the Spanish company Inima. This environmentally friendly project includes

several state-of-the-art characteristics such as tidally controlled flows of water intake and diluted brine discharge.

"We see a huge opportunity for us now in the U.S.," says Ángel Martín Acebes, executive vice president of the Spanish Institute for Foreign Trade (ICEX). "Spanish companies have already made big inroads and established themselves as leaders in their fields. Some have acquired U.S. companies to better position themselves to serve the growing market."

Acebes points out that Spanish companies have extensive experience in private-public partnerships in which they design, construct, finance and manage projects. "There aren't many companies that can integrate such projects from start to finish," he says, "and as this becomes a more popular model, Spanish companies are winning many important contracts." ■

By Michael Knipe

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The magic of Madrid

Already a top financial market, the capital's business-friendly flavor, infrastructure and quality of life are attracting international companies.

Madrid now ranks fourth after London, Paris and Frankfurt as a banking and financial services center.

"While everyone is familiar with major stock exchanges such as New York and Hong Kong, not too many people know of Madrid's increasing international significance in the financial world," says Fernando Merry del Val, minister of the economy in the Madrid regional government.

For this reason, the administration and the leading financial operators in the city



Communications Palace, Madrid

have created the Madrid International Financial Center to spread the word abroad.

In addition to its increasing importance as a financial center, the Spanish capital and its environs continue to be one of Europe's fastest-growing regions in commercial and industrial terms.

Madrid registered twice the average growth rate of the EU between 1995 and 2005, and although its economic growth eased slightly last year, Madrid still ranks among the continent's fastest-growing regions.

Taking full advantage of the phenomenon of globalization, Madrid absorbs

Company Profile

BEST FOOT FORWARD

PIKOLINOS was formed in 1984 in the city of Elche (Spain's principal shoe-producing area) in the province of Alicante. It was formed by its current president, Mr. Juan Perán Ramos. Still a family company, Ramos has permeated the organization with a business philosophy that has converted PIKOLINOS into a '100% friendly' company in its relations with clients, workers and suppliers. For PIKOLINOS, the human team is the most important asset the company possesses. Its more than 400 workers are young, professional and dynamic, and have made PIKOLINOS one of the world's top shoe companies.



Since its inception, the product line has been defined by differentiation and a strong personality manifested in the quality of its leathers, designs and natural finishing. This means that the shoe is recognizable at a glance and has

carved its own niche in the international comfortable fashion market as one of the most successful brands in the world.

In fact, of the two million pairs of shoes the company sold last year, 80% were destined for international markets. Of the more than 60 countries where they are sold, the U.S. has been one of the fastest-growing markets in recent years. With the opening of a commercial office and logistics center in Miami, the company plans on further improving the service it provides its American clients.

A company committed to the environment, PIKOLINOS has been awarded the ISO 14001 certification for Environmental Management Systems. Following this spirit, PIKOLINOS was the first European company to obtain the 'Eco ticket', granted to PIKOLINOS by the European Union for its product line called Amazonas.



more than half of Spain's total FDI.

"Madrid's infrastructure is among the best in the world," says Merry del Val. "We have doubled all the motorways. We are building a very good network of high-speed trains. The city has the third-largest subway system in the world after New York and London, and as far as airports are concerned, Madrid Barajas International Airport is growing very fast. We will soon be third in Europe after London Heathrow and Charles de Gaulle in terms of passenger throughput."

When it comes to inward investment, the regional government's aim is to enhance Madrid's specialization in high-value-added industries. "We are betting on attracting companies involved in biotechnology, aeronautics, communications, information technology and clean energy," says Merry del Val. "In services, we're betting on financial services, tourism and logistics."

One of the reasons for Madrid's economic success, he says, is its liberal business policies. "We try to have a government that is business friendly in the U.S. manner – to have a small state with very few state-owned companies and few taxes."

Vicente Orts, the executive director of PromoMadrid, the regional government agency charged with promoting investment, says one aim is to establish the Madrid region as the R&D center of southern Europe. "We offer the same quality and know-how as other European cities at a lower cost," he says.

The Spanish capital's other advantages are the quality of life it offers expatriates and the business access it provides to Europe and Latin America.

"Foreign companies consider not only the business advantages of a location but also its attractiveness as a place where expatriates will want to live," says Orts. "Madrid is such a place, especially for young professionals."

A new trend, he notes, is for international companies, particularly telecom and financial service operators, to make Madrid "their corporate capital for Latin America."

American companies are the top investors in Madrid, and Orts makes it clear that attracting more of them is his top priority.

What is the secret of Madrid's appeal? "Companies come here for one simple reason: The fact that they are going to make money," he says. ■

By Oliver Kaye

MADRID
about investment

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“Madrid is the best location in Europe to work, and the best place in the world to live.”

- Dean Jannone

A New Yorker living in Madrid since 2003
(Schindler Management, Center of Expertise Director)

A February 2007 Financial Times/Harris survey showed that Spain was the preferred country among Europeans in which to live and work. Madrid is the preferred region within Spain for foreign investors. 16% of Madrid's population are foreign workers who have chosen the region because of the seamless integration between career and lifestyle.

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The wind in their sales

The wind took Columbus to the New World. Now Spanish specialists in wind and solar power are discovering a lucrative American market for green energy.

From the sky, Nevada is not what it used to be. A helicopter view no longer reveals the usual charred desert landscape intercepted by irrigated fields. Instead, giant pylons with rotor blades sit atop bluffs harvesting wind, while solar panels below form lakes of reflected light.

As recently as two years ago, green energy generated \$63 billion of investment worldwide, much of it in North America. For Spanish-based companies like Iberdrola and Siliken, it is 1492 all over again.

In 2007, a quarter of new global wind-energy capacity was installed in the U.S. That amounts to 5 gigawatts of new capacity, a clear signal for players in renewable sources. According to New Energy Finance, a consultancy, the race is fueled by concerns over global warming and oil prices above \$100 a barrel.

Meanwhile, policymakers in Washington are busy negotiating permits and fiscal incentives. For the first time, the landmark U.S. energy bill will include quotas for wind and solar inputs for the country's electricity grid.

"Wind is by far the most efficient form of alternative energy. It's our present and our future," says Xabier Viteri, chief executive of Iberdrola Renovables, a subsidiary of Spain's eponymous utility.

The parent company will invest \$3 billion this year to capitalize on regulatory changes for thermo-solar and tidal energy, in addition to its core market in wind power.

European firms like Iberdrola pioneered complex online monitoring systems for turbines thousands of miles away. Now their strategy is to go beyond technology. Their mission is to buy into

U.S. states with a strong wind-power base and a panoply of tax breaks.

"We have some 21,000 megawatts in the pipeline for the U.S. Approximately half of our [global] investment will be delivered to this market," says Viteri.

Critical factors in the cost structure of investments will depend on legislative support at the state level and ease of doing business.

Viteri points to 26 states that have already done their homework. They include Nevada and states in the Southwest and upper Midwest. Pennsylvania has approached Spanish-based Gamesa, 25% of which is owned by Iberdrola. "They shared the vision of saving energy and creating jobs in an industrial state with high power demand. We now have 900 megawatts of installed capacity there," says Guillermo Ulacia, Gamesa's president.

After seeing Senator Barack Obama deliver a campaign speech at a rotor-blade factory in Pennsylvania, Viteri is convinced of the greening of America.

"Whoever wins the election will be more active than any other president in promoting and supporting renewable energy," says Viteri. So far, Iberdrola Renovables has committed \$13.4 billion in capital investments through 2010. With its excellent team in the U.S., Viteri thinks organic growth now falls into the realm of transmission lines.

For Spanish solar-cell manufacturers like Isofotón, staying out of the renewable renaissance is not an option. In this second wave of solar power, the size of the panels has gone down from 12 cm to 1.5 mm.

"We can concentrate solar radiation and obtain better results. We've dedicated seven years to this process and our work is only now beginning to bear fruit," says José Luis Manzano, chief executive of Isofotón.

For other manufacturers of photovoltaic panels, the market window in the U.S. has been pushing growth rates of

30% to 40%. Established in 2001, Siliken produces photovoltaic modules that can meet residential needs of 1 kilowatt, as well as larger industrial needs of up to 1 megawatt. Based in the region of Valencia, Siliken plans to capture the American market with quality, price and delivery time.

An engineer by training, Carlos Navarro is now the director general of Siliken. Building a mutually beneficial relationship is his strategy for the U.S., where Siliken is building a presence. The idea is to find long-term clients and enter into agreements with suppliers. Enthusiasm for renewable energy is also a must.

At the end of last year, Siliken had 600 employees, up from 65 two years earlier. Turnover numbers were no less impressive. In 2007, Siliken made \$218.4 million in profits. This year, it is set to climb to \$468 million and is now considering going public. "In our early years, the tripling in size didn't translate into massive growth in dollar terms. The real secret is having a long-term vision," says Navarro.

A key to competitiveness is ownership of its own silicon plants. Next year, a new factory in the region of La Mancha will guarantee Siliken its own proprietary silicon. In contrast to other Spanish-based solar firms, Navarro's company is not exclusively about building sun-sensitive modules. Among his top goals is a future plan to optimize rotor-blades and improve on the components of wind turbines.

"The founders of this company are mechanical engineers, so we're always looking to develop new products," he says.

In the meantime, Siliken has opened a manufacturing plant in San Diego, Calif. The state offers an ideal combination of high levels of income and levels of solar exposure similar to that of southern Spain, but the market often lags in the implementation of renewable energy laws.

"We're surprised at how long incentive packages take to be enacted. The potential is there, it just lacks the regulatory support," says Santiago Seage, chief executive of Abengoa Solar. ■

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*Source: New Energy Finance, May 2007.



From fantasy to futuristic

The comic knight Don Quixote made La Mancha famous, but today pioneering natural energy and cutting-edge aerospace technology are putting the region on the map.

Just over four centuries ago, Don Quixote, literature's favorite knight, first set his lance at a windmill in the heart of Castilla-La Mancha. Today, Quixote's creator, the impoverished Spanish writer Miguel de Cervantes, would barely recognize the economic prosperity in the valleys and plains of his hero's homeland.

Quixote's windmills have been replaced by wind turbines, many of them installed by U.S. giant GE Energy. Indeed, Castilla-La Mancha was Spain's leading renewable-energy producer in 2007, and last year the region was the first in Spain to introduce specific renewable-energy legislation.

The main objective of the law is that by 2012, all of the electricity used by the inhabitants of Castilla-La Mancha will be generated by renewable energy. Impressively, half the current electrical consumption is already generated by natural resources.

The region is also a pioneer in photovoltaic energy. The Research Institute for Photovoltaic Systems has been created in the town of Puertollano and will become the worldwide reference point for concentration technologies. The institute is currently developing solar-energy-generation techniques with SolFocus of California.

Castilla-La Mancha's Inward Investment Agency is located in Toledo, which was declared a World Heritage Site by UNESCO. The agency promotes Castilla-La Mancha as a gateway for doing business in Spain and also cites the importance of the location for access to Portugal, North Africa and the rest of Europe.

José Manuel Díaz-Salazar, regional minister of industry and technology, says: "Our investment agency is there to guide



FELIX ALAIN, Photolibrary

the investor through every step of his venture in this region. We offer highly professional assistance during the research and development phase, and feedback from clients helps us ensure a continuing service of excellence."

With regional investment projects expected to reach \$7.5 billion by 2010, he highlights the success of Castilla-La Mancha in attracting multinational companies such as Siliken, Iberdrola, GE, Silicio Solar, Vestas, BP, Abengoa, Gamesa Solar, Solaria and Energi.

Abundant industrial zones and a steady supply of quality engineering graduates have been important in making the region particularly attractive to aerospace firms. Eurocopter Group, a division of EADS, a world leader in aerospace, defense and related services, has established a factory in Castilla-La Mancha that is manufacturing fuselage



MICK ROCK, Photolibrary

and key sections for its EC-135 and Tiger aircraft.

In the Toledo province, the use of carbon-fiber fuselage sections for large commercial planes was first achieved by Airbus Spain at its Advanced Composites Center. It was this fiber-placement technology that allowed for the manufacture of curvature panels for the Airbus 380, the European 600-passenger super-jumbo aircraft.

Effectively, these aerospace firms have been creating an avionics business cluster where technology and know-how are being shared for mutual benefit, and the region's authorities are keenly aware of their logistical needs.

Ciudad Real Airport (Madrid South) is the first private international airport in Spain with an investment to date of \$1.6 billion, and it will introduce elements of open-airport competition to the country.

Minister Díaz-Salazar adds, "Located approximately 200 kilometers south of Madrid, Ciudad Real Airport will initially promote the socioeconomic development of this region through improved accessibility and interaction with other strategic projects, including a high-speed train (HST) link from the airport to the capital and to Seville in the southern region of Andalusia.

"With GDP growth of more than 4% in the past year and international investors being increasingly attracted to Castilla-La Mancha, the visitors should aim to find time to enjoy this historical region," says Díaz-Salazar. "The La Mancha plain, one of the largest areas under vine cultivation in the world, was the winery for the Spanish Court for centuries, and we are currently seeing a revival in the export of some of the finest reds and clarets to come out of Europe." ■

By Mark McGivern

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Super fuel from seaweed

Automobiles of the future may run on biofuels produced from sunlight and the seabed.

Over the next decade, eco-friendly biofuels made from marine algae could replace half the fossil fuels used to power our cars, says one Spanish researcher.

When Bernard Stroiazzo-Mougin, president of Biofuel Systems (BFS) in Valencia, observed that photosynthetic algae replicate a process that usually takes millions of geological years, he knew he was on to something big.

"I wondered why we were still making essentially the same car engine we had 100 years ago, knowing that 75% of the energy is lost in heat," he says. "That's how I got to where I am today."

The thermodynamics engineer turned to sea algae to create biocombustible fuel. His goal was to match the ability of petroleum to carry one ton of weight over 500 kilometers at a cost of 13 gallons of gas.

He now admits his perplexity at the uncanny ability of sea life to turn sunlight

into energy. Algae fuel will not replace oil crude tomorrow, he says, but it can help trigger its demise. After all, the sun emits 15,000 times more energy than humans are able to use.

"Oceans are the greatest filter of CO₂ and the greatest source of biomass in the world. We thought it was too good to be true and that there would be a drawback, but there isn't," says Stroiazzo-Mougin. The groundbreaking process converts eukaryotic cells into energy within hours, minus the CO₂ emissions, and the formula does not require changes in existing receptors like motors and machines.

Stroiazzo-Mougin says he hopes to replace more than 50% of global oil production within ten years. ■

By Paul de Zardain

Thoroughly modern Murcia

This coastal community has updated its traditional industries, developed green technologies and cultivated award-winning wines.

Of Spain's 17 autonomous communities, the one that claims the fastest economic growth over the past ten years is Murcia.

Although less well known internationally than other self-governing communities such as Catalonia or the Basque Country, Murcia is rapidly acquiring a reputation for the quality of its small- and medium-sized businesses and the opportunities it offers in the fields of renewable energy, water treatment and environmental technologies.

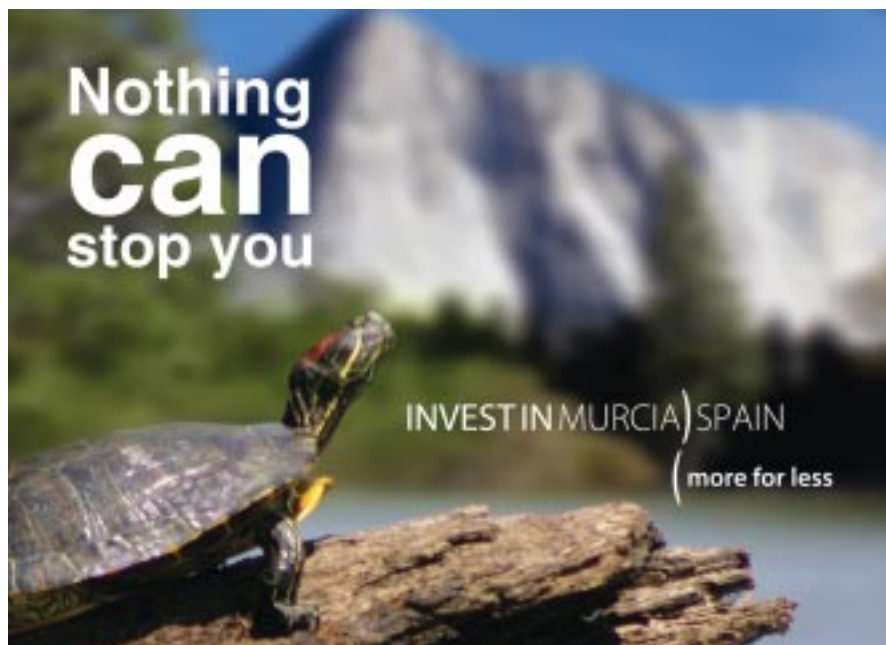
"We're leaders in these areas by necessity as we've had to develop these technologies due to the characteristics of our climate," says Severiano Arias González, director of INFO, the regional development agency.

"We also have a big advantage when it comes to the agility of our administration," he says. "Because we are one of only five autonomous regions that consist of just one administrative province, it means that businessmen who come here have fewer layers to work through, and more and easier access to the government."

Situated on the southwest coast, Murcia has successfully transformed its economy by modernizing and adding value to its traditional industrial sectors of furniture manufacturing and shoemaking. The agriculture sector has also moved further downstream by cultivating award-winning wines, and new high-tech industries such as information technology, biotechnology and chemicals have been attracted to the region.

Murcia's advantages include low industrial land prices, a social climate free of labor problems, a flourishing science park, three top-tier universities with R&D capacities, 150 miles of virgin Mediterranean coastline known as Costa Cálida (the warm coast) and a high quality of life.

By Oliver Kaye



Going into business in the **Region of Murcia** is one of the easiest decisions you will ever make, as many firms who have already established themselves here will tell you. Our **privileged location in Southeastern Spain** is known for **strategic value**, modern infrastructures and excellent **opportunities** for corporate development. The potential for **success and growth**, the high level of **research** in our universities, as well as the economic growth of our region, make Murcia an **unbeatable** option for business **expansion**. And let's not forget our **climate**, which is a source of **health and quality of life**. Murcia, now is the time.



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Spanish sparkle heads west

With much in common, there is increasing cross-investment between Spain and the U.S. in the tourism sector.

Spain sparkles more brightly than anywhere else in Europe these days, attracting 60 million foreign visitors a year, more than any other country in the world with the exception of the U.S.

In just over three decades, the Iberian nation has transformed itself from an unloved and isolated fascist dictatorship under General Franco to Europe's most dynamic state.

Today, both Spaniards and tourists alike enjoy Chef Ferrán Adrià's Michelin-starred cuisine, Pedro Almodóvar's provocative films and Real Madrid's blood-stirring advances on the soccer field.

From its passionate flamenco dancing and bullfighting traditions through its rich cultural and culinary heritage to its sun-drenched beaches and heady nightlife, Spain arguably offers greater diversity than anywhere else in Europe.

Tourism earns the country \$46 billion annually, more than anywhere apart from America, which takes in \$74 billion each year.

With such strengths in common, it's not surprising that there is increasing cross-investment between Spain and the U.S. in the tourism sector.

Rafael Hotels, a relatively new hotel group owned by Reyal Urbis, one of Spain's largest real estate companies, is planning to expand in both the Iberian peninsula and the U.S. "By establishing Rafael Hotels, we are diversifying our business operations and entering a sector that we think will experience solid growth," says Rafael Santamaría Trigo, president of Reyal Urbis.

The group has five high-end hotels in Madrid, two in Barcelona and one in the luxury Pyrenees ski resort of Baqueira, where members of the Spanish royal family have been among the celebrity guests.

"We will diversify the chain geographically, specifically to the U.S., on the back of a strong euro," says Santamaría Trigo. "We think that by creating urban hotels aimed at the business traveler and up-market tourism, we will add to the financial stability of the group."

The company is currently developing a five-star hotel in Lisbon and has set its sights on entering the U.S. market by acquiring a New York hotel.

"Our hotels in Barcelona and Madrid are principally business hotels, but logically, our business clients don't work on weekends, so we also offer them cultural tourism facilities," says Director General Juan Escudero.


The company's aim is to have a chain of four- and five-star hotels spread throughout the capitals of Europe and to get its foot in the door of the American market.

"We're looking to purchase a functioning hotel and then remodel it to our standard," says Escudero. ■




CARLOS ALVAREZ

By Michael Knipe Pedro Almodóvar and Penélope Cruz



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ESADE #1 International Business School The Wall Street Journal (Sept. 2007)

Ignacio Cruz, Enrique Soria and Francisco Martín,
CIEMAT Wind Energy Unit Team.

saturday night in the testing plant

Spain is a country that enjoys high standards of well-being and quality of life. They are the reflection of a first-rate level of socio-economic development. Spanish businesses are very aware of environmental and sustainability issues and are also outstanding in their achievements in technological research and development.

Spain currently has the second largest installed wind power capacity in the world^(*), and is one of the most advanced countries in the renewable energy sector.

**Spain is the world's second largest
producer of wind power.**

(*) Source: GWEC (Global Wind Energy Council), Data: 2006.



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Croatia

sets its sights on a strong future

Embracing democracy led to an invite to join NATO, and now pursuing pro-European policies is opening the door to the EU

With its formal admission to the North Atlantic Treaty Organization scheduled for April next year and its accession to the European Union firmly on course for successful completion, Croatia is on the verge of achieving its two most important international goals.

"This is an historic moment for Croatia," said Gordan Jandrokovi, the country's Foreign Minister, in July when NATO's 26 members signed the

set of protocols giving the green light for Croatia's entry. "Joining the alliance represents one of the most important moments in our history."

Membership in the European Union is further off and unlikely to be completed before 2011 or even 2012. But Prime Minister Ivo Sanader has been able to announce that the Zagreb government has met all the benchmarks for opening every one of the negotiation chapters for

accession, and completion of these negotiations is expected before the end of next year.

Entry into the two international bodies has been the primary ambition of Stjepan Mesi, Croatia's center-left-leaning President, and his center-right prime minister and the Croatian Democratic Union government.

Sanader has pursued pro-European policies ever since he first assumed office in 2003, and with renewed vigor following his return to power in parliamentary elections last November.

During the eight years of Mesi's presidency, previous authoritarian tendencies of government have been replaced by fully democratic processes. The legal system has been reformed, there has been cooperation with the international authorities over war crimes prosecutions and media restrictions have been lifted.

Real economic growth of 5.6% last year was accompanied by a reduction to single digit figure unemployment.

The challenge now will be to convince the country's four million people of the benefits of EU membership. According to opinion polls, only 30% believe it will be "a good thing," with another 39% expressing a neutral view.

SPOTLIGHT ON CROATIA

The restructuring of the Croatian energy sector has led to greater competition and an opportunity for U.S. investors to enter the market.

The opening up of Croatia's energy market in July 2008 has given industrial and commercial users the freedom to choose their suppliers. Domestic users have one year to decide whether to stay with the state-owned power utility HEP (Hrvatska Elektroprivreda) or take their business elsewhere.

With 2.2 million customers and total annual revenue of US\$2.29 billion, HEP is prepared for the competition. "I can hardly wait for it," says Ivan Mravak, who has just been reelected as company president.

Each of Croatia's three large, state-owned energy companies is preparing to undertake significant investments during the next few years and will provide promising opportunities for U.S. companies prepared to develop local representation

and partners. This is something the Zagreb government would welcome.

HEP is being restructured for eventual privatization, and substantial capital investments are being planned to ensure that local demand can be met and excess power can be sold to neighboring countries.

"We aim to remain an integrated company and the major electric-energy supplier in the region," says Mravak. "We are a business group with high levels of transparency and clearly divided legal, management and financial divisions."

HEP's present level of installed capacity can provide 4,060 megawatts (MW) – comfortably above the country's peak power demand, which last year reached 3,080 MW. However, electric-energy consumption in Croatia is growing at a rate

of 3% annually, 1% more than the European average.

"In order to satisfy the growing demand," says Mravak, "we have to decide whether to increase our electrical-energy imports, which are currently around 15%, or increase our installed capacity and possibly be an energy exporter."

HEP has drawn up a capital investment plan that envisions building six new power plants. If HEP moves ahead with this strategy, the company will finance one plant with its own capital and a credit line while funding the others through joint ventures with other international businesses. HEP has already worked with American companies. ❖

By Michael Knipe

HEP

Croatia - Tesla - World

www.hep.hr

The Home Front

Croatia's top toy, sports equipment and fashion retailer is expanding its Central European chain of stores and opening a new household accessories division.

In contrast to the international economic downturn, and despite the tension in the wider Balkan region, Croatia recorded growth of 5.6% last year and is projected by the International Monetary Fund to achieve 4.3% growth this year.

In a reflection of the country's buoyant state, Croatia's leading retailer, Magma, has opened ten new stores in seven locations across Central Europe and extended its range of merchandise to include home accessories.

"We expect a lot, not only from sales but in the bottom line," says Goranko Fizulic, Magma's chief executive. "By creating a new division, we'll improve our margin and be competitive in other markets."

The new Magma Home stores are opening in Belgrade, Budapest, Ljubljana, Rijeka, Slavonski Brod and Nis. These are in addition to the 130 stores the company has established in five countries since its creation as a private company in 1989.

Having identified the benefits of embracing international standards and using a modern business model, Magma recorded 26.8% growth last year, resulting in sales of \$175.9 million and net profit growth of 28.3% to \$8.7 million, most of which came from organic growth and regional expansion.

"In eight years we have grown five and a half times," says Fizulic, a former Minister of the Economy in Croatia. "For a small country like Croatia, it is difficult to compete in the global market. A lot of foreign companies are entering our market, and unless we, the locals, are well organized and up to international standards, we will not be competitive."

Explaining his business philosophy, Fizulic says, "We are dealing with customers of rather modest purchasing power, so we need to have competitive prices with global brands."

Magma's business activities are divided into four segments: retail, distribution,

production and export. Retail is comprised of Turbo Limač, which offers an extensive selection of toys for young children; Turbo sport; Magma fashion; and Urban Republic clothing stores.

Distribution handles food products, toys, baby products and sports-related goods, while production concentrates primarily on Magma's own brand items.

Magma has become one of the few profitable textile groups in Croatia by adopting the same approach as global fashion leaders and concentrating its production in China, where it also sources other goods.

"Our advantage is that we are still a small company that can be fine-tuned," says Fizulic. "Our administration costs are much lower than those of the global giants."

Fizulic is exploring the possibility of making Magma's distribution network available to more U.S. companies. "I'm particularly interested in small- and medium-size companies, especially in the fashion business," he says. "Companies that have international business, in China for instance, could be good partners for us. We're already doing very successful business with several American mid-size companies that produce children's clothes and baby equipment."

Fizulic considers his biggest achievement so far to have been the creation of the Magma brand. "To be successful you need local knowledge and a good team," he says.

He plans to invest up to \$12.6 million in Magma Home and expects consolidated net profit this year to increase to \$10.9 million. ♦

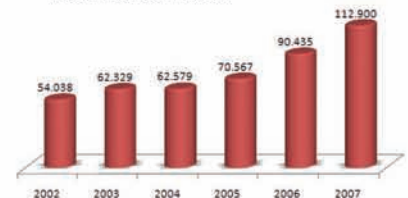
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MAGMA

Magma is the leading importer and retailer of world famous brands of fashion, toys, FMCG and sporting goods in the Adriatic Region (SE Europe) with a highly organized chain of retail stores and wholesale network.



Total income in 000€



Information for investors:
www.investorsmagma.com

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www.zse.hr

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