

COUNTRY REPORT FOR SPAIN



Map of Spanish regions

Background and Introductory Facts about Spain

Spain occupies an area of more than 500,000 square kilometres in South West Europe and its size is two and a half times the area of the UK. Spain has a population of just over 45 million. It is a markedly urban society. Approximately 20% of the population live in cities of around 500,000 inhabitants or more. The capital, Madrid, with its population of around 3 million, is the administrative and business centre of the country around which many modern industries have grown, and where many large companies have their headquarters. Barcelona and Bilbao are also at the heart of major areas of industry and commerce. There are also important business centres in other regions, including Valencia, Sevilla, Málaga, Zaragoza, Valladolid and Vigo.

Spain is a parliamentary monarchy. The King is the Head of State and his primary mission is to arbitrate and moderate the regular functioning of the country's institutions in accordance with the Constitution. The Constitution of 1978 enshrined the fundamental civil rights and public freedoms as well as assigning legislative power to the Parliament (Cortes Generales), elected every 4 years. The March 2008 elections were won by the Socialist Party (PSOE), under the leadership of José Luis Rodríguez Zapatero, current President of the Government.



The Spanish economy grew by 3.9% in 2006 (up from 3.5% in 2005). Between 1997 and 2004 Spain has created over 7 million new jobs and unemployment has fallen from 20% to 8.7%. On annual average, the inflation rate was 3.5% in 2006.

UK-Spain commercial bilateral relations are very strong. Spain is the UK's 7th largest export market. UK exports of goods to Spain in 2006 were worth £12.4 billion and UK exports of services to Spain in 2006 accounted for £4.2 billion. Increased living standards have raised consumer expectations and high demand for consumer goods and services. Over 17 million Britons visit Spain each year and an estimated 750,000 residents (mainly around the coasts) provide a major market for UK products and services.

Spain is a highly developed, competitive market. Almost anything sold in the UK is likely to sell well in Spain. The Spanish government is committed to opening up the Spanish market and Spain, therefore, offers many opportunities to the British exporter across a range of sectors.

The main UK Exports to Spain include telecoms equipment, road vehicles, office machinery, medicinal & pharmaceutical, electrical machinery and various manufactured articles. Imports from Spain are largely in the same sectors with the addition of fruit and vegetables. The high level of UK imports of services from Spain is mainly accounted for by travel and transportation.

Spanish companies are becoming increasingly competitive and are looking more and more outside their home base for opportunities to enable them to globalise their business. Indeed, Spanish Ministry of Trade figures show an upward trend in the level of outward investment from Spain (£2.47 billion in 2003 to £21.42 billion in 2006). Nevertheless, the majority of Spanish FDI has come from 20 or so major players in the banking, automotive, telecoms and infrastructure sectors. Other major Spanish investors include hotel chains, retailers and companies in the renewable energy sector.



Ten Top Tips



- Try a few words in Spanish. Making the effort to learn some greetings will get meetings off to a good start.
- Arrive at meetings on time but do not be surprised if you are kept waiting for a short time.
- Do not plunge straight into discussion on business. Discuss football, family, and the weather.
- If there is an agenda for a meeting do not expect to stick to it rigidly. Interruptions by your Spanish interlocutor are not seen as rude but demonstrate interest in what you are saying.
- Be flexible when it comes to timings of meetings. The Spanish work a long day and you may be offered an appointment early evening. Accept it.
- Try to be flexible in adapting to working practices around meals. Lunches normally last 1 – 2 hours and are an important part of the business process. A sandwich at the desk is seen as very English. Dinner can be late, possibly starting at 21:30 or 22:00. Enjoy the very important social element of business.
- Personal contact is paramount in Spain. Pick up the phone rather than email. Demonstrate your commitment by making frequent visits to your customers/ distributors.
- Make sure some of your literature and your website is in Spanish. Do not assume that Spanish business people will speak English. If in doubt, offer to bring an interpreter to a meeting with you.
- Make sure you are dealing with a person at the right level if you are looking for decisions and do not expect quick decisions. The Spanish will not be rushed.
- Learn a little about the region you are in and recognise the potential sensitivities between regions.

Spain Business Survey

1) How important is it to speak Spanish to do business in Spain?

There was unanimous agreement on the importance of speaking Spanish, especially in Madrid and the other large cities. Many British people whose experience of Spain has largely been from holidays in the coastal areas expect the level of English to be high in the main cities which it is not.



The main business language used throughout Spain is Castilian Spanish (although several of the autonomous regions throughout Spain have their own language, i.e. Catalan, Basque, Gallician). Most large Spanish firms will have people who can do business in English particularly in sectors such as ICT, but in general English is not widely spoken especially amongst smaller agents or distributors. In a business context, speaking Spanish enables greater understanding of the characters of the locals.

It will generally be possible to find a person who can read printed material in English however the Spanish will expect British companies to produce material in Spanish if a long term working relationship is to be established. Company brochures should be translated into Spanish and where possible websites should be available in Spanish or at least have a summary page in Spanish. If you write to a company in English, if all your Trade Literature is in English, and if you expect to conduct all your business in English – you will be at an immediate disadvantage.

British firms will therefore need to be prepared to consider methods of communicating in Spanish. We advise against using a “stock letter” format in correspondence (i.e. one that looks as though it will be sent to a number of companies). It will be thrown away. The same is true of unsolicited emails.

However much English is the language of choice for the business community, there is no substitute for being able to discuss and converse with potential clients/suppliers/officials, etc., in their own language. The Spanish are patient with people who make an effort to speak in their language and even a few stock phrases will break the ice at meetings.

2) What are the differences between Spain and the UK in a general business context?

Visitors to Spain should realise that there are two quite distinct business cultures in Spain. On the one hand there are the bigger and newer, or reformed, industries that have received significant amounts of foreign investment and embraced modern, international management techniques. On the other, there are the traditional SMEs and family businesses that account for the majority of Spain's GDP. The leading banks, which still constitute the business elite, are situated somewhere in the middle.

There are wide differences in many aspects as a result of the UK being an Anglo-Saxon culture and Spain a Latin culture.

A mistake companies frequently make is to send off an email with details of their offer and then wait to hear back. Usually, they won't. Spanish businessmen and women expect you to pick up the phone and talk to them. And then if things look like they are progressing, they expect you to come and visit them. This applies when you are dealing with potential customers – but also with distributors. Spain is an easy place to get to. And with low cost airlines springing up all the time, a visit to the market need not be expensive.

The Spanish are more apt to negotiate from starting positions (on things like price) at levels, which in the UK one might think unrealistic, but this doesn't mean that they will not change a lot, if the deal needs to get done. The human relationship of the people at the negotiating table matters more to get you to being able to close the deal but it will not get you the deal.

Spain is a very price sensitive market. It may be quite difficult for a UK company if their sales pitch is focused solely on quality. Which is not to say that Spaniards will buy low quality products, they won't. But they certainly want to know how much it costs and they will then try to knock the price down. This applies particularly when dealing with the bigger companies and in some sectors firms have virtual monopolies and they act like it.



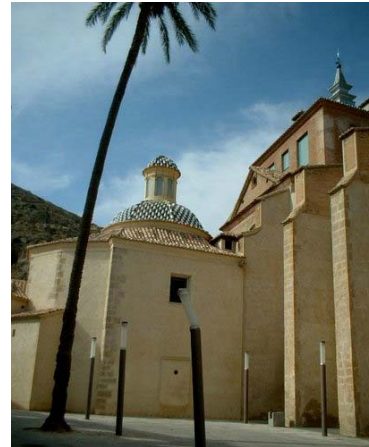
One striking difference for most British exporters is protracted payment terms. 90 days is common and in some sectors, for example healthcare, 180 days is not unusual. Some Spanish companies seem less ordered/regimented in their approach to doing things and at times give the impression of improvising. Despite that, and often to the despair of the British business partner, deadlines are met.

Spanish buyers can be quite conservative. You may find that they are less interested in hearing how innovative your product is, and more keen to learn who your existing customers are. This is one of the reasons the large firms enjoy such bargaining power. They know that if you sell to them, you will be able to use that fact with every other Spanish supplier, to great effect. You will see this looking at Spanish company websites. There is sometimes so much space given to the logos of their customers, that their own product range is hard to find.

Decision-making can be slow and tedious: various levels of management will be consulted and all aspects of your proposal will be analysed in painstaking detail. Ultimately, though, only the individual in highest authority makes the final decision. You must, therefore, understand that you will often be dealing with intermediaries but that maintaining a good relationship with these intermediaries is crucial to success.

Spanish business people can be spontaneous and flexible and this can be a real positive. If you want to set up a programme of calls with two weeks notice you should be able to do it. People are flexible, and generally willing to see you at short notice if they are around. On the other hand, you will find it next to impossible to organise the same programme 2-3 months in advance. Business people in Spain like to keep their options open for as long as possible and find it difficult to commit to long term plans.

In Spain there is much more reliance upon trust, and resolving “smaller” issues as you go along. There is also much more social contact, coffees, drinks, business lunches, telephone calls, etc., with contacts. Email, etc, is much less effective at securing objectives.



3) Spain has a reputation for red tape and bureaucracy ...

Bureaucracy is inescapable in Spain. Most applications for licences, permits, etc, take much longer in Spain than in the UK. Setting up a company in Spain is also more time consuming. The recognition of 17 different regional autonomies in the 1978 Constitution has caused bureaucracy to proliferate. Each region has its president, government, parliament and administration. The number of people on the payroll of the 17 regional governments increased as powers were transferred to them.

Rules are extensive and confusing and often conflicting between Administrations but things are improving slowly.

An example given by a local contact was that a tender for professional services to a regional government in Spain for a PPP project (which took a month to prepare) was rejected by a one sentence letter saying that the company did not have the right words in their “Objeto Social” (i.e., they had not specifically mentioned PPP in their official company description). Our contact said that this simply would not happen in the UK.

It is often said that in order to deal with bureaucracy in Spain, you have to be retired, unemployed or a student – as these are the only people with enough time to queue, and attend (in person!) the number of times it is usually necessary to file paperwork or obtain a certificate. As a foreign citizen seeking residency in Spain the queues for documentation are enormous and the process involves waiting around for hours and hours.

But if you have time, patience and reasonable Spanish you can get through the licences, permits, official stamps, official forms, official translations, etc. And if you don't speak Spanish, a lawyer or a "Gestoría" (private agencies which specialise in dealing with administrative and legal work) can help you reduce this horrendous burden.

In Spain's defence on this point, there is often a historic reason behind this bureaucracy in that most Southern European countries' legislation stipulates the need to produce documents (and often formalise them before a Notary) for them to have legal effect. As a way of an example, the items that a commercial invoice must include to become legally payable (invoice number, date, description of product or service, etc) are subject to a specific regulation in Spain. In general, legal and administrative issues tend to be far less flexible in Spain than in the UK.



There are also some signs that this is changing for the better. There are efforts at setting up one-stop shops in some autonomous communities for e.g. setting up companies, industrial activity authorisations, product approvals, etc. but red tape and rubber-stamping can still slow down affairs.

4) What should one expect in meetings with Spanish business people?

When doing business in Spain handshakes are standard as with the rest of Europe. First-time introductions will be formal; as the relationship develops it will naturally become less so. It is always a good idea to try and use some of the local language. A simple means of doing so is in using the appropriate greeting for the time of day - "Buenos dias" (good day), "Buenas tardes" (good evening) or "Buenas noches" (good night).

Most people can be greeted using Señor (Mr) or Señora (Mrs) followed by their surname. You may also hear people being addressed with their professional titles; Profesor may be used with teachers and engineers are referred to as Ingeniero.

The Spanish can be described as a cheerful and outgoing people. Their warmth and initial friendliness may appear superficial to a foreigner but in fact allows a way of observing social niceties whilst at the same time affording the time and a proper opportunity to get to know someone.

When doing business in Spain, note that relationships built in a face-to-face environment are the most important. People will want to spend time getting to know others in order to ensure the right chemistry exists for a business relationship. It is therefore important to present yourself in the best possible light; the Spanish appreciate people who are dignified yet modest. The ability to be amusing and entertaining is also much prized and humour plays an important part even in business meetings and discussions. Banter is acceptable but be sure not to employ sarcasm as it may get lost in translation and cause offence.

Spanish business people are generally very polite and friendly. They will be genuinely interested in you and will demonstrate their curiosity and also the ability to be flexible. Spanish business people will however want to get to know you personally before doing a big deal. You should always begin a meeting with social conversation and football is one of the most popular subjects to break the ice but you can also talk about family, the weather, food etc. Ignore this at your peril!



You should expect a reluctance to stick to the agenda and a longer meeting than you anticipated. Sometimes you should be prepared for hidden agendas.

If you are interrupted while talking, do not interpret this behaviour as an insult or a cause for concern. More often than not, the Spanish participants' interruptions indicate genuine, animated interest in the discussion. Equally, the Spanish give advice to one another and to visitors freely, so you should not take offence at this habit.

It is also likely that the meeting will not start on time or the person you are meeting will keep you waiting. This is not demonstrating rudeness. During a meeting you may detect that there is a reluctance for your Spanish contact to say anything negative about the product, price, etc. As with the punctuality issue, your meeting is likely to have lots of interruptions – mobiles, etc. Don't expect to be offered coffee in a business meeting - possibly take a coffee in a local bar afterwards (if the meeting has gone well).

Spaniards place great importance on the character of the person with whom they do business and hierarchy and rank are important. You should deal with people of a similar rank to your own.

Spaniards do not like to lose face, so they will not necessarily say that they do not understand something, particularly if you are not speaking Spanish. You must be adept at discerning body language.

The Spanish are very thorough. They will review every minute detail to make certain it is understood. First you must reach an oral understanding. A formal contract will be drawn up at a later date. Spaniards expect both sides to strictly adhere to the terms of a contract.

Business dress is stylish yet, conservative. You should dress as you would in the rest of Europe.

5) What points of business etiquette should a newcomer be aware of?

Spain has a balance between work and social life, and business requires more “social” time than in Northern Europe.

As already mentioned, personal contact is an essential part of business in Spain and companies should ensure that they visit the market regularly. They should also be prepared to adapt to Spanish business hours and working practices which differ markedly from those in the UK. It is said that the British “eat to live” whereas the Spanish “live to eat”. Entertaining/eating out is an important aspect of Spanish business life. Don’t ignore an invitation to lunch as a seemingly unproductive waste of time. Restaurant hours are much later than in the UK, lunch often starts between 14.00 - 15.00 and dinner between 21.30 - 22.30. Late evening meetings are not uncommon and should be accepted when offered.

Do not jump straight into talking about the business at hand. Always start with a social discourse. Call each other on a first name basis.

The use of humour, and the indirect way by which things are said. There is more subtlety in the way in which deals are done in Spain, than is generally the case in the UK, and many different levels on which negotiations take place.



Being “committed” to the market is the only sure-fire way of really knowing what’s going on.

The way you present yourself is of critical importance when dealing with Spaniards. It is best to display modesty when describing your achievements and accomplishments. Communication is formal and follows rules of protocol. Avoid confrontation if at all possible. Spaniards do not like to publicly admit that they are incorrect. Trust and personal relationships are the cornerstone of business. Spaniards, like many societies, are concerned that they look good in the eyes of others and try to avoid looking foolish at all times.

6) Does Spanish practice differ in terms of working hours and holidays?

Although international business practices are becoming more common, it is still quite usual for the day to start “slowly” –office staff will tend to drift in between 8.30 and 9.30am and then depart for coffee or a cigarette around 11.00 (coffee is usually taken off the premises). Lunch is normally taken between 2.00-4.30pm after which work resumes until around 8.00pm or later.

The range of characters and approaches to business in Spain can be anything from a long lunch with wine to a full day session in a conference room with sandwiches and Serrano ham or a dinner. The latter will normally not start before 9.30-10.00pm. British companies should therefore be prepared for long working lunches and late dinners when with potential Spanish clients/partners.

Counterparts do not like to waste time, and if they are engaged will often come straight to the point (a good sign, in general) unless they are “sussing you out” (i.e. in the early stage of a relationship) in which case you may never even talk directly about the deal.



From the middle of June until the middle of September, most offices in Spain adopt "summer hours". A typical working day will start at about 0830 and end at about 1500. In and around the month of August it is common for many businesses to close or operate with a skeleton staff.

Holidays tend to be taken all in one go – random days off are unusual. There are more religious holidays which unlike the UK do not fall on Mondays or Fridays. If they fall on a Thursday then many people will take the Friday off (this is called a “puente” i.e. a “bridge” weekend).

National bank holidays in Spain include:

- Año Nuevo (New Year) - 1 January
- Los Reyes Magos (The Three Wise Men) - 6 January
- Viernes Santo (Easter Friday), variable in March or April
- Fiesta del Trabajo (Labour Day) - 1 May
- La Ascensión (Ascension of the Virgin Mary) - 15 August
- Fiesta de la Hispanidad (Spanish National Day) - 12 October
- Fiesta de Todos los Santos (All Saints Day) - 1 November
- Fiesta de la Constitución (Constitution Day) - 6 December
- La Inmaculada Concepción (The Immaculate Conception) - 8 December
- Navidad (Christmas Day) - 25 December

The different regional communities have their own bank holidays, e.g.:

Comunidad de Madrid - 2 May
Catalunya - 11 September
Galicia - 25 July
Comunidad Valenciana – 9 October

Each town or village will also have its own local holiday, e.g. Madrid 15 May - San Isidro or Barcelona 24 September - La Mercè

If one were to identify a single feature that symbolises Spain's progress in recent decades, then it would have to be the revision of attitudes towards the traditional siesta. Of course, there are many provincial areas, particularly in the rural south, where the long afternoon break remains the norm, but this is no longer the case in the main centres of commerce.



Air-conditioned offices obviously help to reduce the need to avoid the extreme heat of mid-day but Spanish business has also realised that it cannot afford to be at rest in the afternoon when Europe [and indeed the world] might reasonably expect it to be at work. Whilst typical working hours in Spain may still be somewhat different from most of Europe, then, they are no longer completely idiosyncratic.

7) How does Spain position itself in relation to Europe? How are British business people seen in Spain?

Spain became a full member of the European Economic Community in 1986 and in 2005 was the first country to approve in a referendum the Constitution of the European Union. It considers itself fully integrated in Europe but views UK as being slightly to one side.

Business and commercial relations between the UK and Spain go back for several centuries. British companies settled in the Basque Country, Andalusia, etc. As a result of this, British business men and women have developed deep roots in the Spanish business community. An obvious consequence of these excellent trade relations has been the outstanding anglophilia one can see and breathe in different parts of Spain. All the above has left obvious signs of British surnames (i.e. Smith, Greaves or MacMahon in the Basque Country); sports such as football or rugby; English words such as “Mister” for football coaches, etc. “Traditional” British clothing – particularly for men - is considered desirable with brands being very important.

There are around 700 UK companies already in Spain. Leading British companies established in Spain are especially present in sectors such as power, telecoms, retail, invisibles and services. British business people are well regarded in Spain and considered to be honourable. British people are viewed almost as a preferred partner, due to the large numbers of UK residents in Spain and the relative proximity of the political arena.

Many British businessmen and companies have the wrong idea about Spain thanks to the country's international projection as a sun and sea destination for holidaymakers. This is far from the business Spain. Spain produces more cars, more steel and for example more wind energy turbines than the UK and is eagerly trying to become a member of the G8. One of the largest trade commodities in both directions with Spain and her European trade partners is automotive parts, which by extension opens the market up to a host of other business opportunities in the form of raw materials, machinery and equipment and advanced engineering services.

In the Basque Country particularly, and in northern Spain more generally, the British businessperson is viewed very positively. British business people are regarded as serious and people of their word. The British businessperson is also associated with quality goods and services.



8) How important are the regional differences in Spain?

There are very significant regional differences in Spain. Tastes vary considerably between North and South and inland and coastal regions. Catalunya and the Basque regions are good examples of how different people are compared to those from the centre or, say, Canary Islands. Different languages, traditions and cultures in some areas also set them apart.

Spain is organised into 17 Autonomous Communities (Regions) each of which generally comprises one or more provinces. These autonomous regions vary greatly. Andalusia is larger than Holland and Belgium together. Madrid has more inhabitants than Luxembourg. Apart from the well documented Catalan and Basque issues, each of Spain's autonomous regions has its own way of doing things as well as a strong regional identity.

It is important to have access to regional contacts to ensure that you obtain the right introductions. Despite regional "animosity", if you have to be regional –Madrid-based businesses are the most acceptable (i.e. from Madrid you can just about do business anywhere. However if you are Catalunya based, business in Barcelona will be easier, but business elsewhere may be much more complicated – and it's similar in other regions.

There are differences that can have an influence on business. In the case of the Basque Country and Navarra both areas raise and administer their own taxes, which means that they are masters of their purse strings in a way that other areas of Spain are not. This means that both areas can embark on projects or establish business priorities in the knowledge that they have the resources to see them through.

This from a business point of view is an important asset when looking at, for example, local infrastructure projects and their financing. In some regions, particularly the Basque Country and Catalunya, it can help to have local representation, i.e. not do the business from a distance. Most companies based outside both regions have their local representations to look after the business there for them.



8) Should marketing material be adapted accordingly?

Castillian Spanish should also be used at all times in written and spoken advertising and publicity, but with other languages (certainly Catalan and Basque) translations can be an advantage as the business develops.

Once a business relationship is consolidated contributing to marketing costs could be part of the business relationship. Language, particularly labelling, can be an issue in some communities where there is more than one official language, e.g. the Basque Country, Catalunya, etc. The issue can be a sensitive one at times and the British businessperson should be guided by his/her local business partner. On approaching the market for the first time some marketing material, i.e. trade literature in Spanish would always be helpful - the use of Basque or Catalan at that stage would not make or break potential business.

Translations can be a hassle, but they may be the only way to communicate effectively in an inclusive, engaging way.

10) Where do the main opportunities lie for UK companies?

Spain is a highly developed, competitive market and is Europe's fastest growing economy. Almost anything sold in the UK is likely to sell well in Spain. Spain offers many opportunities to the British exporter across a range of sectors, usually anything that is high added value and perhaps not available from local suppliers.

Spain has an important potential market for advanced engineering in its aerospace and automotive sectors. The life sciences and creative industries likewise offer good potential; power in all its forms, i.e. renewable energies, generation, distribution measurement and control offer opportunities in trade and inward investment terms and the need for innovative financial tools and services complement all these opportunities. As in other markets technologies to combat climate change, including again renewable energies and also pollution control offer undoubted opportunities.

Geographically, Madrid is the centre for external investment and commerce in Spain. It is the obvious starting point for UK companies coming to Spain.



Further Help and guidance

Useful websites

British Embassy in Madrid (Spain): www.ukinspain.com

UKTI: www.uktradeinvest.gov.uk

British Chamber of Commerce in Spain: britchamber@britchamber.com

Spanish Board of Chambers of Commerce www.camara.org

Further reading

A Guide to Business in Spain An excellent source of information on doing business in Spain, independently researched and written by Garrigues Abogados y Asesores Tributarios and published by the General Directorate for Trade and Investment (Spanish Ministry of Industry, Tourism and Trade). It is specially intended for companies wishing to set up in Spain, and is an invaluable source of information about the Spanish financial and tax system, company and commercial law, labour and Social Security regulations, e-commerce, etc. The Guide can be viewed in English via the Trade and Investment Services page of the British Embassy's website www.ukinspain.com, or on the Spanish Ministry of Industry, Tourism and Trade's website www.interes.org (once in, click on "English", then "Invest in Spain").

UKTI Contacts in Spain

Full details of the range of services provided by UK Trade & Investment, such as assistance with overseas publicity and foreign languages, are available on the website www.uktradeinvest.gov.uk. This website also includes further information on exporting to Spain.

The website of the British Embassy in Madrid (www.ukinspain.com) is also a useful reference. The Embassy in Madrid has conference facilities with audio-visual equipment that can be rented by British companies for presentations or receptions.

If you visit Spain at any time we will be pleased to see you at any of the Trade & Investment Sections listed below to discuss how we can help you further:

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