

Catalonia's appeal to foreign investors

Since the early days of the so-called Catalan process, much has been said about the effects of the turmoil that would be provoked by the eventual independence of this region, in particular concerning the capacity of a new independent Catalonia to maintain its foreign direct investments (FDI) or to attract new ones. Those against the independence process have painted, with little success so far, a rather catastrophic scenario. For instance, the economic journal *La Gaceta de los negocios* wrote on November 5, 2012 that five multinationals (no names given) were stopping their investments in Catalonia. On May 26, 2015, the online journal *El economista digital* wrote that Barnices Valentine (Portugal) was putting its investment plans in Catalonia on standby mode. And more recently, Enric Millo, the speaker of PP in Catalonia's parliament, said that "investors are always looking for stable regions with fair and responsible politicians".

To get a better grasp of the issue, it is worth looking at the evolution of Catalonia's share in FDI investments in Western Europe (WE) from the pre-independence scenario of 2010 to the present, considering November 2012 as the turning point, when Catalonia's president Artur Mas placed independence at the core of the nation's agenda. The reference source taken for FDI flows worldwide is FDI Market of the Financial Times group, which provides more accurate and reliable information on foreign productive investment than Spain's official *Datavex*, which for political reasons tends to shape its data according to Madrid's political agenda.

Raw data paints a brighter panorama for Catalonia's economy, in the eventuality of independence. During the above-mentioned period, the region increased its ap-

peal to foreign investments: in 2010 it made up 2% of WE's investment projects, while in 2014 the share soared to 3.63%. In comparison, the share of the region of Madrid in WE's investment projects dropped from 2.57 to 2.08%. The same can be said for the number of foreign investing companies: Catalonia, with Barcelona at the forefront, has improved its 2010 position, when one out of 50 companies investing in WE chose the region, to one out of 22 in 2014. In comparison, Madrid has seen this ratio decline, from one out of 31 in 2010 to one out of 39 in 2014.

Yet, in spite of the rise in the number of projects and companies, the share of Catalonia in capital invested and jobs created, the two remaining indicators in FDI, has remained the same in that period: 2.81 to 2.61% and 3.98 to 3.80%, respectively. This might be due to the exceptional investments that were carried out in 2010,

which somewhat distorted data for the end of the course. It must be also mentioned that recently Catalonia and Barcelona in particular, have attracted activities, such as those related to ICT, professional services and creative industries, which are more intensive in labour than in capital. In fact, these new activities have complemented and strengthened the presence in the region of foreign investments, which in the past used to just focus on more traditional activities, such as electronics, transportation equipment, industrial activities and food and beverages.

Therefore, the current political situation has shown Catalonia's economic resilience and strength, capitalising on a mix of old and new assets. This way, the region has placed itself, and in particular its metropolis, in a leading position in Southern Europe (SE), able to compete with other European regions that boast a solid economy,

such as Baden-Württemberg, Western Netherlands or Switzerland. For example, a recent study by Ernst & Young ranked Barcelona as the eighth most attractive European city for foreign investment and another study from the NYT from 2014 ranked the Catalan capital at the top of SE's regions. Barcelona and Catalonia present a unique blend of talents, skills, a favourable culture of entrepreneurship, quality of life, location, diversification of industries and services and competitive costs which few regions can match. Thus, it can be argued that the 5,700 foreign companies present in Catalonia, and others potentially interested in investing in it, are keen to profit from the region's unique assets, considering that the current independence scenario is a political matter that emerged after a democratic, transparent and comprehensive process.



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"Spain can't be broken with a vote" Pedro Sánchez, Spanish Socialist Party leader

Maybe Sr. Sánchez is not used to it, but it's called democracy: the people making their own decisions by casting a vote.