Interview: Maria del Coriseo, CEO, ICEX, Spain

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Despite the crisis in Spain, local Spanish companies continued to succeed in exports and general internationalization. Maria del Coriseo, CEO of local investment agency ICEX, outlines the successes of these businesses with a special emphasis on the life sciences sector.

Internationalization is a key part of the ICEX strategy, which has become more of a necessity among companies as a result of the crisis. How much more internationally active has Spain become?

Considering weak domestic demand increases the importance of internationalization, the achievement of Spanish companies in recent years is quite impressive. According to WTO data, world trade had been increasing about five percent annually between 1988 and 2008. After world trade collapsed in 2009, recovery did not start until 2010, and has only grown between one and two percent every year since, until 2013 when world trade increased by three percent. These figures are an average and do not reflect trade in developed economies, where the growth rate has been much lower.

In any case, even compared to overall growth trends Spain is an interesting example. In 2010, Spanish exports grew by almost 17 percent compared with very weak growth in world trade. This was of course very remarkable at a time when companies were dramatically cutting prices and emptying stocks. In 2011, Spanish exports grew by 15 percent that year, contrary to predictions. This is particularly remarkable in that this was the first time Spain faced a crisis in which the country could not use devaluation of its currency, a key instrument used in previous crises that had made Spanish companies more competitive. There has been no scope to do this with the Euro,

which implied a great effort for Spain. The challenge then was to consolidate this trend, and determine how we could maintain stability in the medium term.

How did Spain manage to maintain the strength of its production and exports?

In 2012, Spain's government took major economic reforms to help domestic markets for production factories including labor markets, containing deficit and regaining confidence from international markets. This meant that our risk premium decreased, and our public and private financing costs for the whole country became more reasonable and affordable. Companies made great effort too, continuing to invest in R&D and process innovation, obtaining their own brands, and generally maintaining flexibility and reliability while offering quality post-sales services. By the end of 2012, Spain had consolidated and also increased its exports by 38 percent, bucking the trend in surrounding countries. Today, the number of companies exporting is 50 percent higher than compared to three years ago. Companies with previous international experience became more focused in markets outside the European Union. This is normal as a single market; EU countries collectively export more than 60 percent to other countries outside the Union. Before the crisis Spain was exporting 70 percent to the EU and sometimes even more. This rate has decreased to less than 63 percent, meaning that exporting companies have diversified their target markets a lot. This explains our double-digit rate of exports to Latin America, Africa and Asia and even North America. Exports stagnated in 2013 with only three percent growth, but as a whole exports decreased in some of the largest European economies last year. Spanish exports grew by 5.2 percent, so these trends continue structurally.

Before 2008, Spain had one of the largest current account deficits in the OECD. Since July 2012, thanks to the good behavior of exports, Spain has been registering a surplus every month in our current account balance since then. Furthermore, our growth model as a country is changing. Before the crisis, total exports of goods and services amounted to between 25 and 28 percent of GDP. Now exports amount to 33 percent, higher than France, Italy or UK but lower than Germany.

What are some of the challenges specific to Spain for companies wanting to establish business here?

In the OECD's restrictiveness index, Spain ranks ninth in terms of ease and accessibility for investment in the market by companies. The slow but continuous recovery of world trade parallels the Spanish story: foreign direct investment here has been up and down over the last few years. In 2012 FDI decreased by 18 percent, and FDI flows into Spain grew by 3.5 percent, which I think is definitely proof that things are going well. FDI flows into Spain increased by 37 percent in 2013.

There are still some challenges, but we believe all these macroeconomic reforms have decisively liberalized the different production factory markets. This combination of quality cost is very good in Spain. While the country's unemployment rate is high, Spain also has an extremely qualified and well-educated labor force and we have top-quality doctors, biologists, physicists, and so on.

Many countries have these qualities in life sciences; what sets Spain apart?

We have seen a lot of off-shoring in life sciences and other industries over the past decade. While there are some advantages, companies started suffering from the consequences and began activities in re-shoring and then near-shoring. Spain is well positioned in terms of geography, infrastructure and its labor force. Through that, the legal framework has been nurtured well. As this concerns foreign investment, we are extremely respectful all international rules while removing any obstacles we identify as troublesome for foreign investors, to whom ICEX offers its services for support. Life sciences account for about 26 percent of total R&D in Spain, directly employing around 200,000 people. Spain has 800 hospitals, with over 3,000 currently ongoing clinical trials.

Historically, Spain has been slightly underdeveloped in the technology sector, due to lack of capital risk or capital development investments. What is ICEX doing to grab those investments for this sector?

It is true that Spain had been perceived for many years in this light. Today, numerous Spanish companies worldwide lead very important sectors where physical technology and innovation management models are critical. Looking at public-private partnerships in the transportation sector, six or seven of the top ten companies in the world are Spanish in terms of number of total projects worldwide. In 2012, Spain was awarded the highest number of tenders among OECD countries by the World Bank or the American Development Bank, which mostly goes towards engineering. Spain's biotechnology sector is also booming. Perhaps we started a bit later in this than some other countries; in the early 2000s, our representation at the BIO Convention in the US was not large. In 2013, Spain was one of the largest representatives, with 120 highly competitive companies participating. We established an agreement with MIT's magazine *Technology Review* in 2005, in which they publish a quarterly report about Spanish industries where our technology is a key component, as well as a description of the sector's activities in Spain.

In any case, ICEX is not responsible for promoting R&D. We ensure that all sectors in Spain are present in international markets as much as possible. We organize on average three activities in three different international markets every day of the year, both in those markets' public and private sectors. ICEX works substantially in developing e-health systems, with both the central and

regional administrations. The organization also puts small startups in touch with foreign investors and business angels, and supports them in international congresses around the globe.

What are some examples of success stories in the life sciences industry to show that Spain is a good investment?

The American biotechnology company Celgene has its first R&D center outside of the US located in Seville, demonstrating the country's good R&D capacity. GlaxoSmithKline has an R&D center in Tres Cantos, the only one in the world working in diseases like malaria and is thus a reference in world science. There are good national examples as well, like Zeltia and Oryzon, the latter of which started with just two people and has grown into a fully-fledged biotech company that recently signed an agreement with Roche. These are good examples for venture capital and risk capital to show that good science and companies to invest in exist here.

What do you want Spain to be known for in the coming years?

In economic terms, I think we want to be known by what we have achieved in terms of serious macroeconomic figures. The International Monetary Fund and European Commission recently corrected forecasts for Spain to improve its outlook and we are still part of these international credit agencies. The country's overall performance shows good rates, public deficit figures, inflation figures and external sector figures with the premiums now demanded by international markets.

The crisis hit us strongly, and this affected our culture so to say. It is true that even during the tough times the achievement of Spanish companies abroad has been remarkable. I think they have been negatively affected by how the country was perceived during that time, which was unfair. The overseas achievements of Spanish companies during that period were fantastic and that is how we have come to these great global figures in our sector. We are happy that the recovery will also help them to be globally perceived as they deserve.

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