

DOING BUSINESS IN Barcelona

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Playing its own game

Simon Kuper on why FC Barcelona – one of whose star players, Lionel Messi, is pictured – is 'more than a club'

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Elegant port seeks to ride out the storm

The city has thrived as a centre for commerce and tourism, writes Victor Mallet

Woody Allen's latest film, *Vicky Cristina Barcelona*, has plenty of detractors – Spaniards in particular have mocked the improbable romantic plots involving two naive American holidaymakers and a pair of passionate Spanish artists – but the city of Barcelona is not complaining about the free publicity. Like Cédric Klapisch's earlier *L'Auberge Espagnole* (*Pot Luck* in the English title), a multilingual tale of student life in a shared apartment, the film is set in the sunny, architecturally elegant and socially tolerant Barcelona of contemporary reality. Dark underbellies, dirt and violence are reserved for the human characters, not the urban setting. Barcelona broadly deserves the accolades implicit in the films. Since the city transformed itself to host the 1992 Olympic Games, sweeping away the unwanted debris of the industrial revolution and replacing it with beaches, buildings and infrastructure to suit the modern era, it has thrived as a Mediterranean centre for both commerce and tourism.

The city has not escaped the global economic crisis, a feat impossible for such an export-oriented metropolis. But it has been rather less dependent on the home construction boom and frothy real estate market than the rest of Spain's south and east coasts, retaining a usefully diversified economy that includes functioning car plants, publishing companies, biotechnology firms, fashion houses and tourist hotels as well as abandoned building sites.

"Barcelona and the Barcelona area still keep a nice balance between manufacturing and services, which is something you can't say of a lot of European cities," says Jordi Canals, dean of the Iese business school.

As if to underline manufacturing's continued contribution to Catalonia's prosperity, Volkswagen said last week that it would build its new Audi Q3 compact sport utility vehicle not in the US but at its Seat subsidiary's Martorell plant just outside Barcelona. Audi's €300m investment is expected to save about 1,200 jobs.

Such investment decisions have been made easier by improvements to Barcelona's transport infrastructure. Catalonia has complained for years that Madrid allocates too small a share of Spain's public investment budget to projects in the region, but the combined efforts of the Spanish state, the regional government, the city authorities and the private sector are making tangible improvements.

The most obvious change for business visitors is last year's opening of the Ave or high-speed train route between Madrid and Barcelona. True, it was six years behind schedule, but the reduction in journey time to less than three hours makes Barcelona conveniently accessible from the capital – and vice versa.

The airport, meanwhile, is to open a new terminal, and the commercial port is doubling its container handling capacity. Some large projects have been plagued over the years by accidents or controversies, but foreign investors are enthusiastic about the new transport links and about the city's increasingly international outlook.

"The infrastructure became better," says Fumiaki Matsumoto, managing director of Nissan's Barcelona vehicle plant and a

vice-president of Nissan Europe, who worked in Barcelona a decade ago and recently returned. "And more people speak English. This is a change. Ten years ago it was quite difficult to converse with people in English."

With international openness so important for Barcelona's and Catalonia's economic success, the city's location – between the bulk of Spain and the northern heart of the European Union, and also facing the Mediterranean and the emerging markets of north Africa – remains a strategic advantage.

"We're the south of the north and the north of the south and that's an interesting position in the years that must come," says Jordi Hereu, Barcelona's mayor, in an office adorned with works of art by local painters Joan Miró and Ramon Casas. Barcelona was duly chosen – after much lobbying – as the headquarters of the new Union for the Mediterranean promoted by Nicolas Sarkozy, French president.

Barcelona also benefits from a business culture that goes back centuries. It was with Barcelona's textile industry that the industrial revolution came to Spain, and the Foment del Treball Nacional, which dates from 1771, says it is the oldest employers' group in Europe.

Barcelona has become a brand representing energy, culture and creativity

Catalonia, economically dominated by Barcelona, accounts for 27 per cent of Spain's exports and 39 per cent of its high-technology exports, and hosts more than 3,000 foreign companies. "Things work well, the climate is good and we are very open to Europe," says Joan Rosell i Lastortras, Foment chairman.

Barcelona, however, still needs to overcome the immediate crisis and to ensure its competitiveness as a business city in the long term. "At the moment," says Mr Rosell, "the problem is the financing of small companies, the fall of consumption and the destruction of employment."

Future, post-crisis challenges can be divided into those that face the whole of Spain and those peculiar to Catalonia and its capital Barcelona.

Business people in the city, along with their counterparts in Madrid or Bilbao, believe that the government of José Luis Rodríguez Zapatero, the Socialist prime minister, should use the crisis to push through overdue economic reforms, even though they admit he shows few signs of doing so.

Priorities for business

Inside

Interview Mark Mulligan and Victor Mallet interview Barcelona's mayor, Jordi Hereu **Page 2**

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Biotechnology Barcelona is keen to promote itself as a centre of excellence in this field **Page 4**

Motor industry Despite job cuts, there is some good news in the sector **Page 5**



include a liberalisation of Spanish labour laws, which are currently very favourable to employees and discourage the hiring of permanent staff, and a reduction of red tape. Barcelona may be more entrepreneurial and have better universities than the Spanish average, but it still lags some of its European rivals.

A generally favourable report* published this year by the Organisation for Economic Co-operation and Development speaks of possible "deficiencies in the Barcelona knowledge economy" not only in biotechnology and life sciences but also in information and communications technology. "These sectors are strong but also display relatively low levels of entrepreneurship," the report says.

Then there are matters specific to Catalonia, or, to be more accurate, to the devolved nature of the Spanish constitution and the way it is applied. The regional government has vigorously exercised and sought to expand its autonomy and has promoted the Catalan language in education, the bureaucracy and the media.

Catalan nationalists can be extremely prickly about any criticism of these policies from outsiders. First, they remind listeners of their historic resentment of dominance by Madrid and second, they point out – rightly – that Spanish speakers have no problem conversing in *castellano* rather than Catalan on the streets of Barcelona.

What is spoken on the streets, however, is not the only issue. By overpromoting Catalonia's uniqueness and playing down the interdependence between the region and the rest of Spain, Catalan nationalists have needlessly alienated some powerful people in Madrid, puzzled the few foreigners who pay attention to local politics and failed to capitalise on Barcelona's attractiveness as a Spanish gateway.

"You can't just think about Barcelona without thinking of the future of Barcelona in Spain," says Iese's Prof Canals.

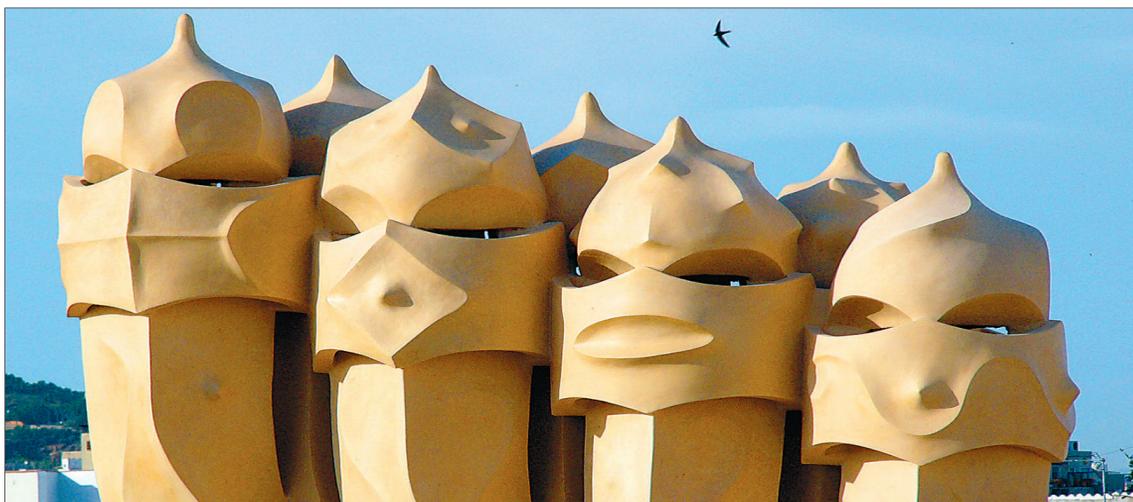
José Luis Blanco, managing partner in Spain of international law firm Latham & Watkins, agrees. "It's absurd to look at Europe and turn your back on Spain," he says. "Barcelona needs to stop trying to sell itself as the capital of Catalonia, and sell itself as the influential city of Spain."

Mr Blanco is also concerned that the longstanding reluctance of Barcelona's cautious entrepreneurs to raise money through the capital markets has limited their growth, in contrast to their peers in Madrid. In the depths of the crisis, this Catalan restraint looks wise, especially against the background of collapsing, highly-leveraged companies in property and finance. Even so, says Mr Blanco: "It's extraordinarily hard to cross the competitive barriers without having a certain size."

Still, few of those who do business in Barcelona would begrudge the city's claim to be an attractive mix of manufacturing, tourism and new sectors such as biotechnology and entertainment. Nor would they probably quibble with the mayor Mr Hereu's claim that the city "is in a process of urban transformation as important as at any time its history".

Above all, Barcelona has become a brand representing energy, culture and creativity. Those qualities made it an obvious European substitute for Woody Allen's beloved New York when he chose the setting for *Vicky Cristina Barcelona*.

*Promoting entrepreneurship, employment and business competitiveness: the experience of Barcelona. www.oecd.org/cefe/leed



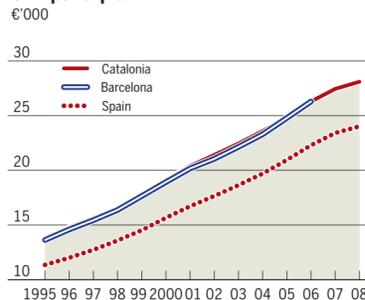
Funnel vision: detail from rooftop of Casa Mila, designed by Antoni Gaudi

Unemployment rate

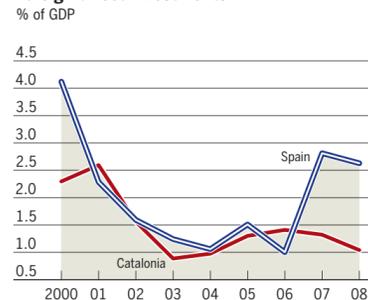


Source: Idescat, INE

GDP per capita



Foreign direct investments



Note: Barcelona refers to Barcelona province

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Doing Business in Barcelona

Tax break helps city make exhibition of itself

TRADE FAIRS

The biennial car show has been rescued and other events are holding their own, writes Mark Mulligan

As the global economic crisis casts a pall over some of Catalonia's most important industrial sectors, small victories are being celebrated as if they were resounding triumphs.

The fact that this year's Automobile Fair is going ahead as planned in Barcelona is a case in point. After the cancellation last month of next year's biennial London Motor Show, there were fears that the city's own "Salón Internacional de Automóvil", held every two years in May, would suffer the same fate.

After all, as the centre of automotive assembly in Spain, Cata-

lonia is acutely aware of the devastating impact of the crisis on Spanish car sales, which have fallen by nearly half, and production, where thousands of workers have either been laid off or had hours and pay reduced.

With the car show on the brink of suspension, Spain's central government came to the rescue with a tax break that not only convinced manufacturers to exhibit, but drew direct sponsorship from some of the region's biggest non-automotive companies.

By declaring tax-deductible expenditure by exhibitors and sponsors on any advertising related to the fair, authorities appear to have rescued the show. The tax break is contingent on the use of the "Salón Internacional de Automóvil" logo in all such advertising, meaning the event gets a much-needed promotional boost.

"The crisis is a reality, and a very hard one at that," says Josep Lluís Bonet, chairman of

the Fira de Barcelona, the public-private sector joint venture that manages the city's exhibitions halls and events.

"But it is also true that in this moment, companies have to be sharper than ever, look harder for sales, and become more competitive. In this sense, trade fairs have a lot of offer."

While regular trade fair participants would probably agree, the costs of travelling, contracting exhibition space and mounting stands has become a luxury for many small and medium-sized businesses and, as the London Motor Show case shows, large multinationals as they look to cut costs.

Organisers reported a 10 per cent drop in participation at this month's Tourism Fair, while attendance at Construmat, Barcelona's signature business-to-business fair for the construction industry, is likely to be hit hard by the dramatic downturn in Spanish homebuilding, and sector malaise around the world.

However, for companies who can still follow the exhibition circuit this year, the crisis throws up new opportunities, according to José Luis Nuño, marketing professor at the Iese business school.

"Most trade shows are about making contacts, checking out

The annual Mobile World Congress has made the city synonymous with the latest gadgets

the competition and finding new suppliers," he says.

Although there will be notable absences at many fairs this year – many participants have ceased to exist, for a start – there have so far been no cancellations. According to Turisme de Barcelona, the city's tourism promotion office, the same goes for the

heavy programme of conventions and congresses.

The Association of British Travel Agents, to name but one, has chosen Barcelona for this year's annual congress, which is often held in the Canary Islands. Organisers were convinced by generous local sponsorship and free use of the city's International Convention Centre. The city is also gearing up for the inaugural World Innovation Summit, a three-day trade fair and speakers' symposium in June which organisers say will bring together the most innovative people, companies and ideas in the world.

Despite Catalonia's deep roots in textiles, farming, industrial design and tourism, Barcelona has been keen of late to project an image of itself as a centre of technological innovation. The role of the Fira de Barcelona to this end has been vital.

The continuing success of the annual Mobile World Congress, recognised as the most important

gathering of wireless telephony operators and product makers in the world, has made the city synonymous with the latest industry gadgets and technology. Similarly, Barcelona, with its history of medical research and world-class hospitals, has also become the global centre of conferences for specialists such as cardiologists and gynaecologists.

Along with many important industrial cities, Barcelona has a long and colourful tradition of trade fairs, starting with its hosting of the Universal Expositions in 1888 and 1929. Fira was formally established in 1932, as the city's handsome exhibition complex was built at the base of Montjuïc Mountain, south-east of central Barcelona.

Today the zone boasts 165,000 sq m of usable pavilion space and a further 50,000 sq m in the open air. Two years ago, Fira inaugurated a further 200,000 sq m of space in nearby Gran Via, consolidating one of the biggest exhibition spaces in Europe. Fira

boasts a portfolio of 80 different shows, bringing together an estimated 40,000 companies.

This expansion reflects the importance of trade fairs and congresses on the city's economy. According to one study by the Fira, the direct and indirect impact equates to about €2.5bn a year, after accounting for spending by participants inside and outside the exhibition space, business arising as a result of new contacts made, and workers' wages.

Considering Fira's revenues last year of €122m, up 17 per cent on the comparable 2006, the multiplier effect is considerable.

"Trade fair are very potent instruments of innovation," says Mr Bonet. "They act as dynamos on society, on companies and on the economy. However, the trade fairs themselves have to be constantly innovating. In these difficult times, Fira has to redouble its efforts just as any company would."



Building for the future: the 22@Barcelona re-zoning project in Poble Nou

Mattia Insolera

Global outlook puts schools in top class

BUSINESS EDUCATION

Mark Mulligan on the growing reputations of Iese and Esade

These are testing time for the world's business schools. Corporate cost-cuts mean customised executive education, often the schools' most lucrative business, is suddenly an unaffordable luxury.

Restricted travel budgets can also preclude trips for on-campus open courses, no matter how short the journey and stay. Schools are being forced to tailor these to more modest budgets. In the US, particularly, market turbulence has shrunk endowments, which means less scholarship and student assistance.

If all this were not enough, business schools' values and teaching methods, too, have again come under scrutiny as the world seeks to apportion blame for the global financial crisis.

However, there is a bright light amid all the gloom, according to experts at Esade and Iese, the Barcelona-based business schools.

With the sudden surge in the number of bankers, managers and executives either out of work, worried about their future, or reflecting on their career choices, they have noted an increase in the number of applicants to their MBA programmes.

"People are saying: 'I've always wanted to do an MBA – it's either now or never,'" says Mike Rosenberg, director of international executive education at Iese. "The world's leading schools are being swamped with applications for their MBA courses."

Both Iese and Esade reside comfortably in this category, constantly ranking in the top 10 of European business schools, and often in the top 10 globally.

They form two-thirds of a Spanish business school triumvirate – the other is Madrid-based Instituto de Empresa – that have made the country, and especially Barcelona, synonymous with high-quality business education.

Their increasing attraction to foreign students – non-Spaniards consistently

account for about 80 per cent of MBA course intake – contrasts sharply with the allure of standard, state-run universities in Spain.

It was perhaps because of the low standard of tertiary education in Spain, and the universities' lack of international scope, that the country's most successful business schools had to be private initiatives.

The Barcelona institutions are among the oldest of their type in Europe, and have more than their geographical situation in common.

For a start, both are linked to regular universities with Catholic roots: Iese is tied to the Opus Dei-run Universidad de Navarra, while Esade, co-founded by the Jesuit order, also offers undergraduate law and management degrees.

Both are also pioneers in internationalisation, realising early on the value of building global alliances, teaching in English, hiring faculty with vast international experience, and pro-

viding a cosmopolitan environment for students.

Being based in Barcelona, with its beaches, Mediterranean climate, vibrant nightlife, and affordable accommodation, also gives them an edge in selection by students.

"Somebody who studies an MBA is taking a risk," says Xavier Mendoza, a business professor at Esade, "and they want the school to reduce that risk."

"They expect the school to deliver on all the fundamental requirements – course work, faculty, business connections and so on.

"Beyond that, a school needs five or six unique factors: being based in Barcelona, when students can also study Spanish, can certainly count here."

Full-time MBA student Amitabh D'Souza of India says he considered institutions in France and the UK before opting for Esade. "Basically, I spent nine years studying and working

in Asia, and then worked for two years in the US," he says. "I needed a European experience. I liked the idea of Barcelona, and had heard good things about Esade."

This global view of business, common among MBA students in their late-20s or early 30s, is starting to favour European schools. Interest from the US has surged in recent years, reflecting a growing desire by Americans to expose themselves to foreign cultures while taking a more global view of business.

Iese, for one, responded to this trend by opening a satellite campus in New York City two years ago, in a building it is currently refurbishing in the centre of Manhattan. When completed next year, it will serve as a research centre, alumni club and campus for modules of Iese's executive MBA and global executive MBA courses.

The project follows the recent expansion of Iese's Barcelona campus, where it spent €25m on a state-of-the-art executive education centre over 18,000 square metres.

Esade, too, has just opened a new, 20,000 sq m campus in Sant Cugat, about 20km outside Barcelona, for undergraduate and masters business administration students. The new campus is tied to Creapolis, an adjacent business research and development centre and eventual home to about 50 companies.

Only by forging ever closer links with companies and their development can business schools stay fresh and relevant, says Luis Palencia, associate dean for MBAs at Iese.

Schools also have to assume some responsibility for the poor state of the global economy today, says Alfons Sauquet, dean of Esade. After the accountability scandal at Enron, the US energy group, and similar cases of corporate wrongdoing, schools were forced to evaluate their role in the creation of dishonest business leaders and their culture of greed.

Mr Sauquet says: "This crisis will be another catalyst, exposing the schools that didn't take on board the lessons of the last crisis, and helping consolidate and deepen the reform process at those that did."

Life returns to moribund quarter

DISTRICT PROFILE

POBLE NOU

Mark Mulligan on a revival around the 22@Barcelona re-zoning project

Wandering the fashionable Passeig de Gràcia, or sprawled on the beach under a Mediterranean sun, it is sometimes easy to forget that Barcelona city was once part of what is now its industrial hinterland.

Although long a centre of cultural and artistic endeavour, large sections of the Catalan capital were given over to mills, foundries and other factories throughout the 19th century and well into the 20th.

The Poble Nou district, which fans out for about 200 blocks north and east from the city centre, was the focus of all this grimy, noisy activity. At the peak of productive output, the then-remote neighbourhood was known as the "Manchester of Spain".

However, like the UK city, it has, in recent decades, succumbed to changing technologies,

outsourcing, and the relocation of heavy industry away from city centres. Between 1970 and 1991, Poble Nou lost more than 25 per cent of its population. More than 1,300 businesses disappeared between 1963 and 1990.

Then, encouraged by Barcelona's successful makeover for the 1992 Olympic Games, municipal and regional authorities decided that something had to be done to return life to the moribund quarter.

The result was 22@Barcelona, a 120-hectare public-private re-zoning project aimed at creating five high-tech commercial and research hubs – dedicated to media, renewable energy, medicine, information technology and design – interspersed with subsidised and private housing, green space and public schools, sports facilities and medical clinics.

Named after a re-zoning by-law – 22a – the urban renewal project was slow to get off the ground.

It was hit first by the slump in corporate investment following the bursting of the internet technology bubble. Then city and regional planners

realised that procuring the massive industrial sites and dealing with protected residential tenants, sub-lessors and squatters would be best left to the professionals.

Private-sector companies specialising in urban redevelopment were incorporated to chase up owners, buy the properties and then manage their development according to 22@Barcelona's strict specifications.

The once-derelict district has become one of Europe's biggest building sites, claim officials

Throughout all this the mainly elderly residents were hard to convince, complaining that the project would drive up rents and alienate further a district that had already suffered more than most. Many remain cynical, but this time because the project is taking so long to complete.

Critics, meanwhile, say the original plan, for a sort of a Silicon Valley of Barcelona, has been diluted, and that

22@Barcelona has instead become just another business park with an element of research and development.

In fact, according to recent studies, about a third of the companies now established in the zone are involved in the research and development of new ideas and technologies.

Even as the credit crisis and economic decline bite, cranes, scaffolding and complex traffic detours attest to city officials' claims that the once-derelict district has become one of Europe's biggest building sites. According to Josep Miquel Piqué, chief executive of 22@Barcelona, the development is now 70 per cent sited out, and 35 per cent completed.

At the end of last year, Poble Nou was home to 1,441 companies employing 42,000 people. According to several studies, about half the district's workers are university-educated.

"The knowledge economy has talent as its raw material," says Mr Piqué, "which means that cities are central to the new economy. Those cities that understand this role, and which can attract the talent, will take the lead as

global cities."

The refitted factories and purpose-built office blocks sprouting up around the district have drawn trophy tenants.

Indra, a Spanish software group, was one of the zone's first residents, along with GTD, another technology company serving the aeronautical industry. Work on a media centre is nearly finished.

Alstom, the French engineering group, is another key tenant, having established its global research base for clean energy in 22@Barcelona. Schneider, also of France, moved its European headquarters to the district.

Mr Piqué admits that the rate of new tenancies and private sector investment in construction has slowed with the global crisis. However, investment by public sector departments, regulators, research centres and universities is helping to compensate.

"There are a few projects on hold because of the credit crunch," he says. "However, the number of building permits issued last year was higher than all previous years."

"We have not stopped – far from it."



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Contributors

Victor Mallet
 Madrid Bureau Chief

Mark Mulligan
 Madrid Correspondent

Xavier Vives
 Professor of Economics
 and Finance,
 Iese Business School

Andrew Baxter
 Commissioning Editor

Steven Bird
 Designer

Andy Mears
 Picture Editor

For advertising details,
 contact: **Maria Gonzalez**
 +34 91 564 1810
 Fax +34 91 564 1255
 E-mail:
 maria.gonzalez@ft.com
 or your usual FT
 representative

Gaining strength from diversity

INTERVIEW

JORDI HEREU

Mark Mulligan and Victor Mallet meet the mayor

Behind the 19th century neoclassical façade of Barcelona's city hall, or *ajuntament*, there are a couple of historical and artistic treasures. In the Saló de Cent, or "Hall of the Hundred" the Gothic vaulting and intricately-carved wooden beams date from the original 14th century structure.

In the otherwise plain, functional office of Jordi Hereu, the mayor, an original work by modernist Joan

Miró sits alongside more sombre Catalan masters. Like the city itself, the home of local government is torn between its rich history and the demands of a modern global economy.

"The economy of Barcelona, and Catalonia, was based on a few very traditional industrial sectors – such as agro-industry, cars and components, chemicals, and pharmaceuticals," says Mr Hereu. "However, over the years services have come to predominate."

"Now, in the last 10 years, Barcelona has invested a lot of its energy in what I would term emerging sectors, such as audiovisual production, design, information technology, life sciences and renew-

able energy. These are areas that in 2008, a very complicated year, generated 20 per cent employment growth compared with 2007."

He admits that these "new economy" sectors carry little weight in the make-up of the city's gross domestic product, in which tourism still accounts for about 15 per cent and residential construction 6 per cent. "However these are sectors with a great deal of potential, that even in the middle of a crisis, can create jobs," he says.

Finding the right mix of manufacturing, services and creative and high-tech businesses is the key to Barcelona's future success, he says. While in the 19th century it prospered as the

"Manchester of Spain", and then in the late 20th century as a centre of low-cost manufacturing, design and tourism, Barcelona's strength will increasingly depend on diversity, he says.

"We have a diversified economy," he says. "There is no one sector that represents more than 20 per cent of output. This is an advantage in times like this."

Another shield against the global downturn is public spending on infrastructure. In Barcelona, which often breaks under the weight of tourists traipsing its streets and using its services, the state of municipal amenities and transport connections is a popular topic of conversation. A commitment by



Hereu: spending pledge

municipal, regional and central government on upgrading the city's infrastructure is helping to offset the decline in private sector investment, he says.

"This is a globalised city, and as such is intimately connected to the global economy," says Mr Hereu. "Although the crisis is a global phenomenon, we have to deal with it locally."

Movers and shakers in city and region

WHO'S WHO

Victor Mallet and Mark Mulligan profile eight leading personalities in a wide range of fields

Salvador Alemany

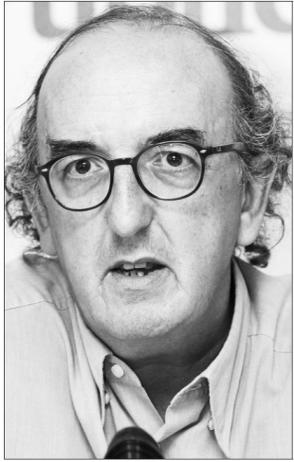
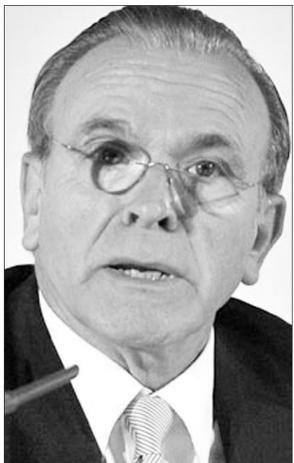
As chief executive of Abertis, the infrastructure group partly controlled by La Caixa, Salvador Alemany, 65, is known in business circles as both an astute leader and a team player. Married with two children and four grandchildren, he was schooled first in economics at the University of Barcelona, and later completed a diploma in business management at Iese Business School. He is currently chairman of the Cercle d'Economia (Economic Circle) in Barcelona. Apart from the business of toll roads, satellites, airports and other infrastructure his great passion is basketball. Mr Alemany chairs the economic commission of the Euroleague, the sport's governing body in Europe, and is also part of the consultative committee of the Association of Basketball Clubs. He was a driving force in attempts by Abertis to merge with Autostrade, of Italy, in 2006. Despite his own intensive lobbying in Rome, the deal was blocked by the government of Romano Prodi.

Isak Andic

Although discreet, and not given to public appearances, Isak Andic is easy to identify as the man behind Mango, Spain's most successful fashion designer and retailer after Inditex. Together with brother Nahman, he founded the company in 1984, after using his spare time between university studies to sell shirts imported from Turkey at a flea market in Barcelona. Over the years, he has built the Mango name and franchise into a global brand with points of sale in more than 90 countries. Little is known about his private life, except that he was born in Turkey, and emigrated with his parents to Barcelona at the age of 16. Forbes magazine listed him in 2007 as the world's 264th richest man, with a net worth at the time of \$3.4bn. It also says he is married with three children. He is 53 years old. Apart from his role as chairman of Mango, Mr Andic is a non-executive director at Banco Sabadell, a Catalan bank.

Jordi Canals

Jordi Canals' energy and his unlined face at the age of 48 may have something to do with his austere lifestyle as a devotee of Opus Dei, the Roman Catholic organisation behind Iese Business School, of which he is the dean. But with his good-humoured advice on management, corporate governance and economic policy, Prof Canals wields a quiet influence with politicians, bankers and business leaders that belies his youthful appearance. He has published 14 books and been involved in a range of institutions and task forces, including the World Bank and the International Monetary Fund. The global economic recession has only increased the demand for his measured



views. "The current crisis makes us realise that we know almost nothing," he modestly told an interviewer recently. Bedtime reading? Aristotle's Nicomachean Ethics, of course.

Isidre Fainé

As chairman of La Caixa, the leading financial institution of Catalonia, and as a self-made man with an inspiring personal history, 66-year-old Isidre Fainé is arguably the most important figure in Barcelona business. Mr Fainé was born into a modest farming family and at the age of 13 was earning a few pesetas a week in a bicycle repair shop, but he moved into the city to work in a factory before applying for a job at a bank and taking evening classes in economics. Now – as the boss of La Caixa, chairman of Abertis, the infrastructure group, and a director of other well-known Spanish companies – Mr Fainé is confronted with an economic recession the likes of which the country has not seen since the civil war. La Caixa, however, is said by bankers and businesspeople to be resisting better than most of its peers.

José Montilla

As head of the Catalonia Socialist party (PSC) and of the autonomous regional government, the soft-spoken Mr Montilla is – for the moment – the most important politician in Barcelona and Catalonia, although he was not born a Catalan. The Catalan nationalist Convergència i Unió won more votes than any other party in the 2006 regional election, but it is with Mr Montilla and his green and left-wing coalition allies that the central government of José Luis Rodríguez Zapatero, the Socialist prime minister, must negotiate over the vexed issue of regional finances and the division of tax revenues between Madrid and the region. At the start of Mr Zapatero's first administration, Mr Montilla held the powerful post of national minister for industry, commerce and tourism, before becoming Catalonia's premier in 2006. He was born in Córdoba in the impoverished southern region of Andalucía, and, along with many of the PSC's Andalusian-born supporters, migrated north to industrialised Catalonia in search of work.

Barcelona's big-hitters (clockwise from top left): Anna Veiga, Isidre Fainé, Isak Andic, José Montilla, Jordi Canals, Josep Ramoneda, Jaume Roures, Salvador Alemany

AFP, Reuters

Josep Ramoneda

If Barcelona is a city of culture and publishing, then who better to represent it than Josep Ramoneda? A philosopher, writer and political commentator, he is founder and director of the Centre for Contemporary Culture of Barcelona. Mr Ramoneda has published numerous books, including *After the Political Passion* in 1999, contributes regularly to the left-leaning national daily newspaper *El País*, and has established a collection of philosophy texts. In a prescient column for the FT

shortly after the dramatic election of José Luis Rodríguez Zapatero's first government in 2004, he wrote: "Mr Zapatero must show that he can recover the active consensus that characterised the Spanish transition to democracy three decades ago." Mr Zapatero was re-elected last year, but – doubtless in part because of the global economic crisis – he seems a long way from achieving that.

Jaume Roures

In politically polarised Spain, raising the hackles of both left and rightwing commentators is not an easy feat – unless you are Jaume Roures. A journalist by training, the former student radical and social liberal who started out in the media as a typesetter is today both a hate figure of the right and the bane of the establishment left represented by media group Prisa. His own media group, Mediapro, took the broadcast rights for Spain's main football league off Prisa's Channel Four; it also launched a breezy left-leaning daily – *Público* – aimed at younger readers and in competition with Prisa's heavyweight *El País*. Mr Roures, 58, has been in jail, hates wearing a tie and describes himself as "timid and introverted". But the company he chairs and part-owns is no quiet achiever, its gleaming new Barcelona headquarters anchoring a "media city" cluster in the revitalised Poble Nou district. Mediapro produced Woody Allen's *Vicky Cristina Barcelona*, described by many as the best bit of publicity for the city since the 1992 Olympic Games.

Anna Veiga

Anna Veiga, 52, stands out in the fields of assisted fertilisation and stem cell research, where Spain is at the forefront of global research and techniques. A biology graduate of the Autonomous University of Barcelona (UAB), she later returned to the institution to do her doctorate degree. Her specialisation – human-assisted reproduction – has become a forte of Spanish medicine, and thousands of couples travel to the country each year in the hope of finding a solution to problems of reproduction. As well as being head of reproductive medicine at Dexeus University Institute, Ms Veiga is director of the stem cell bank at Barcelona's Centre of Regenerative Medicine, and associate professor in the life sciences department at the Pompeu Fabra University. She was also the founder of the Spanish Embryologists Society, and has sat, or sits, on numerous Spanish and European scientific associations related to reproduction or regenerative medicine.

A way out of the crisis

Viewpoint

XAVIER VIVES

The current economic crisis is hitting metropolitan areas around the world, and Barcelona is no exception.

Barcelona is also vulnerable because its recent growth has been partly fuelled by the extraordinary expansion of construction and real estate in Spain and rising tourism numbers, both of which have now gone into reverse. The low interest-rate policy of the European Central Bank led to negative real interest rates, diverting resources from industry and advanced services towards real estate.

However, Barcelona does have the advantage of a more diversified economy than most of the rest of Spain, and it managed in spite of the real estate boom to maintain its industrial traditions and stay attractive to dynamic, internationally competitive companies.

This diversity – the weight of industry in gross value added is higher, and the weight of construction lower, than in Spain as a whole – may prove to be a crucial asset in emerging from the present crisis. Indeed, the construction-driven Spanish growth model is unsustainable: the more balanced approach of Barcelona and Catalonia may indicate Spain's future path.

A "back to basics" approach, in which productivity growth is driven by competitive industries and services, is the name of the game. But it will not be without pain. In the short term, adjustment will be difficult

since credit is not flowing to industry due to the financial crisis, and the small and medium-size enterprise (SME) sector predominant in the large Barcelona metropolitan area is very dependent on bank credit.

Perhaps this should be seen as a blessing in disguise and provide an impetus for the overdue restructuring of the SME sector, which needs to reform itself and to innovate in order to increase productivity.

Such a restructuring will succeed only if there are no artificial impediments to transfers of resources from declining to emerging sectors, and any industrial policy must be framed in a way that allows private enterprise to flourish. The pressure of lower cost producers on an advanced industrial area such as Catalonia, combined with the Darwinian selection that the crisis will impose, should provide a crucial momentum for needed productivity improvement.

At the same time, an important and sustained effort should be made to improve human and technological capital. In the area of advanced education, Barcelona is already leading the way internationally, in business and economics, for example. In research, an important effort is being made in the biotechnology sector. Some firms in traditional sectors, such as textiles and food, and in services, including utilities and banking, are already very competitive internationally.

A key asset of Barcelona to attract talent is its quality of life, not only due to climate and geography, but also because of the city's cultural and

architectural heritage. This should serve to strengthen technologically-advanced sectors in the area and promote innovation. For this to happen, excellence should be put first, fragmentation avoided and the public sector should take the lead by supporting research and innovation on a competitive, open basis – and by decisively fostering knowledge of English.

What else is needed? Barcelona and Catalonia need a coherent regional strategy within Spain, Europe and the world that builds on local strengths and develops global connections. Barcelona needs to deepen its capacity to attract and keep highly-qualified

Barcelona could become the economic leader of the Mediterranean Euroregion

international professionals, embrace mobility, and serve as a development point and port of entry for new ideas, products and services.

Catering to all aspects of quality of life and embracing a culture of openness will be key elements of such a strategy. Barcelona should make the most of its large metropolitan area to reach economies of scale while allowing diversification and experimentation with different activities.

It is worth noting that Barcelona violates the so-called Zipf's law on the size of cities, for according to this mathematical formulation the size of the second city in a country should be half the size of

the first. Yet the size of the Barcelona metropolitan area is not far from that of Madrid.

As for its strategic location, Barcelona has the capacity to become the economic leader that will drive the development of the existing Mediterranean Euroregion, a region with a development model probably more resilient than those of many other European Union regions.

Barcelona and its hinterland could be an effective commercial, logistic and business headquarters centre for the region, but for this to happen crucial transport and communication infrastructure has to be developed and political will applied.

Barcelona and Catalonia have lagged behind in public infrastructure investment for decades. Now an effort is being made with a new terminal in the airport, development of the port and much-needed investment in commuter trains. After a couple of decades of impressive growth of the Madrid area, the present crisis may bring about a rebalancing, with increased emphasis rightly given to the Mediterranean axis where Barcelona is a natural leader.

The development of this regional and international strategy, however, will need appropriate financing and leadership that is both outward-looking and entrepreneurial.

Xavier Vives is professor of economics and finance and co-director with Pankaj Ghemawat of the Competitiveness in Catalonia project at the Public-Private Research Center, Iese Business School.

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Doing Business in Barcelona

City seeks to make capital from location

MARITIME LINKS

The Mediterranean has a more prominent role than in the past, writes **Victor Mallet**

Barcelona was not always the busy, multicultural Mediterranean city it is today. In the Roman era, it began life as an insignificant collection of huts with an inconveniently shallow harbour, overshadowed by its southern neighbour Tarraco – now Tarragona – the walled capital of Rome's Hispania Citerior.

Even after periods of prosperity – the spread of Aragon-Catalan influence and trade around the Mediterranean in the late Middle Ages and the industrial revolution of the 19th century – the inhabitants of Barcelona did not always look to the sea.

"The sea, curiously enough, was almost inaccessible to them," wrote historian Robert Hughes in his book *Barcelona*, describing the scene before the transformational public works that preceded the city's hosting of the Olympic Games in 1992.

"The city had sealed off its own way of life from the sea by a cluttered industrial port with scant marina facilities and the virtual annihilation of any kind of social use of the coast that ran north-east to the mouth of the Besòs River."

What a difference a decade or two can make. The commercial port is being expanded to meet the needs of industry, but Hughes's "beaches fouled with industrial effluents" and the "obsolete factories" and "dumps" that prevented access to them are now stretches of sand packed with sunbathers, yacht marinas or offices and studios for high-tech companies.

Thus does Barcelona seek to play the double role – as an attractive hub for both industry and services – needed to fulfil its ambition as "capital of the Mediterranean" or, more awkwardly but more expansively, as "the Euro-Mediterranean capital".

Barcelona is content to leave to Madrid the role of Europe's connection to Latin America, provided it can capitalise on its own



Steaming ahead: Barcelona port is pursuing a €3.5bn port expansion and pushing for construction of a freight railway line to the French border

advantages as a Mediterranean centre, a link between Europe and North Africa and between Europe and Asia via the shipping routes that pass through the Suez Canal.

City officials, and Miguel Angel Moratinos, Spain's foreign minister, were delighted when their intense diplomatic efforts to secure for Barcelona the seat of the new Union for the Mediterranean finally paid off in November last year.

The secretariat will be housed in the magnificent Palacio de Pedralbes, and the authorities are also planning to invest €178m over eight years in restoring the pavilions of the Sant Pau district across town, which would provide space for associated institutions.

Ignasi Cardelús Fontdevila, international relations director for the City of Barcelona, admits that the few dozen officials of the secretariat are not in themselves

of huge economic significance, but says decisions will be taken and plans made for the spending of billions of euros of European Union investments in the Mediterranean.

He is hoping to attract the Mediterranean headquarters not only of companies but of groups such as the World Tourism Organisation or the International Committee of the Red Cross. "In the end it's as if a ministry of the EU planted itself in Barcelona,"

he says. "And we can use it as a draw for things that have no connection with the Mediterranean."

Some are sceptical about Barcelona's perception of itself as the capital of the Mediterranean. Jordi Vaquer i Fanés, director of the Centre for International Relations and Development Studies (Cidob) in Barcelona, says the fact that large countries such as Egypt or Algeria might not agree renders the whole idea of *capitalidad* "relatively empty" even if it

has any meaning in the first place.

He says: "No one will say that New York is the capital of the world because it's the seat of the UN."

For Mr Vaquer, Barcelona would do better to stop emphasising *capitalidad* and focus on its undoubted cultural and commercial advantages over other Mediterranean cities. He notes that Barcelona has been becoming more multicultural at a time

when some of its rivals have seen their multiculturalism decline.

It is the most Asian city in Spain, but there are also Moroccans, Senegalese, French and eastern Europeans on the streets. "What we can claim is that we are not Naples, Izmir, Tel Aviv or Algiers – all of them would dream of being Barcelona."

"At the same time, it's a successful city in a globalised world," he says. "It's been a very dynamic economy, and compared to the rest of Latin Europe, it's a relatively open market."

This openness is evident in the traffic that passes through the port. The number of cruise passengers grew 17 per cent last year, confirming Barcelona's place as the Mediterranean's top cruise destination, and could stay flat this year in spite of the global economic crisis, says Jordi Valls i Riera, chairman of the Port of Barcelona.

Vehicle exports and container

Intense diplomatic efforts to secure the seat of the new Union for the Mediterranean paid off last year

traffic (where Valencia has recently been a bigger force) have inevitably been badly affected by the fall in world trade. But Barcelona, with its eye on the future, is pursuing a €3.5bn port expansion by public and private investors and pushing for construction of a freight railway line from the port to the French border using the European gauge (Spain's is different).

In two years, container handling capacity will double to 5m TEU (20ft-equivalent units, a standard measure for containers) a year. By 2015, the new infrastructure will allow it to double again if the demand is there.

"This will be the first time in history that Barcelona port does not have capacity problems," says Mr Valls. With up to 17m of water depth at the quayside for the bigger ships, it is all a far cry from the shallow, silted harbour that plagued Barcelona's commercial ambitions from Roman times until the 19th century.

Migration feeds culture of growth

BIOTECHNOLOGY

The cluster is making progress despite rivaling powerful hubs, says **Victor Mallet**

Vivek Malhotra is exactly the kind of energetic scientist that Barcelona is eager to attract in its drive to promote itself as an international centre for biotechnology and biomedicine.

Mr Malhotra, an Indian-born American, moved to Barcelona last year from the University of California, San Diego to pursue research into the structure of human cells – and brought a team of half a dozen experts with him.

"I'm mostly interested in how proteins are released from cells, and how cells are compartmentalised," he says in his office in the airy and modern seaside building of the Barcelona Biomedical Research Park (PRBB), where he heads the Centre for Genome Regulation's cell and developmental biology programme.

Despite decades of research, the way cells actually function is surprisingly little understood. Yet the topic remains of obvious significance for human health and the pharmaceutical industry. "It's important for almost everything," says Mr Malhotra.

He is among the scientists who have migrated to Barcelona in recent years because of its compelling combination of government research funds and a pleasant lifestyle.

"The Catalans are a very talented lot, but their talent has always been in the areas of architecture, wine and food – and they have been great in tourism. But unfortunately they have not made an impact in science," he says. "I think they wanted to start this with a big bang."

The PRBB – which was

opened three years ago next to a university hospital by the Catalan and Barcelona authorities and Pompeu Fabra University – hosts 1,200 staff and researchers and is only one of several public initiatives aimed at creating a self-sustaining biotech hub centred on Barcelona.

Among the human and hardware resources advertised by the BioRegion of Catalonia (Biotat), the regional biotech promotion authority, are some of Spain's leading universities and hospitals, nine science and technology parks or zones and an established pharmaceutical industry.

There is also equipment such as the MareNostrum supercomputer and a synchrotron, a particle accelerator now under construction near Barcelona. The PRBB has in its basement a modern, robotised facility for animals used in experiments, and currently has 22,000 mice and 15,000 zebrafish.

Despite its Roman Catholic heritage, Spain also has the attraction for scientists of a relatively liberal attitude towards stem cell research.

Barcelona's medical skills and its international connections were on display last year in a pioneering transplant of a "tissue-engineered" human airway for Claudia Castillo, a Colombian woman with breathing difficulties, at the city's Hospital Clinic.

Ms Castillo's stem cells were cultivated in Bristol, England and flown to Barcelona, where they were applied to the "scaffold" of a donor's trachea (previously cleaned of the donor's cells) in a device called a bioreactor, designed in Milan. The hybrid trachea was then successfully transplanted – and not rejected by Ms Castillo's immune system because it had been colonised with her own cells.

Barcelona, of course, is not the only place trying to



Centre of excellence: Barcelona Biomedical Research Park

become a biotech hub, and faces intense competition from other centres – as well as the challenge of possible public spending constraints as a result of the global economic downturn.

It is hard to compete against rivals such as Cambridge in the UK or Flanders in Belgium, let alone US biotech powerhouses such as Boston, even if you advertise the cultural and climatic

"We don't need more research centres or hospitals, but ways of creating value"

advantages of Barcelona's Mediterranean location.

"Of course half the planet wants to be in biotech," says Jordi Camí i Morell, director general of the PRBB. "Scientists don't move somewhere for aesthetic reasons or the climate. There is good science in Minnesota which is freezing cold... And there are north Americans here and they don't come for the beach."

The challenges include the complexities of establishing

a company in Spain – a problem not confined to the biotech sector – and the relatively small size of the region's 60 or so existing companies in pure biotech. Researchers and analysts say there is also a shortage of international financing despite the existence of local funds such as the €67m biotech fund launched by Ysios Capital Partners.

Above all, the region's fast-growing biotech sector is in a race to reach the size at which it can become financially self-sustaining, so that projects can move smoothly from the research stage – most Spanish biotech research and development is still publicly-funded – to commercial applications.

"We know our weaknesses and we are working to overcome them. They are not in expertise, but in technology transfer... the interface between research and industry," says Manel Balcells, who heads Biotat's executive committee. "There have been lots of [research] papers and few patents. We don't need more research centres or hospitals, we need ways of creating value."

Núria Mas, an economist and assistant professor at Iese business school who

studies the sector, suggests that one way to do this would be to put more focus on so-called "white" or industrial biotech rather than the "red" medical biotech that currently accounts for about 65 per cent of Catalonia's efforts – because Catalonia has a big industrial base and "white" biotech tends to generate quicker commercial returns.

Biomedicine, however, looks set to remain at the centre of Catalonia's biotech push.

At the PRBB, Mr Camí says it is essential to keep expanding research and the infrastructure supporting it in order to reach "critical mass" before expecting significant commercial returns. "We've made great progress, but from a very small base," he says. "We are approaching the inflection point."

In five years, concludes Biotat's Dr Balcells, "we'll probably be in a very competitive position with the rest of Europe and the US, or some centres in the US... There's a long way to go. But it's on the political agenda of the Catalan and Spanish governments and the European Union. We want to be a key city for Europe in this sector."

'Design publisher' is shining success story

CORPORATE PROFILE

SANTA & COLE
Mark Mulligan on an innovative business model

As a rule, Santa & Cole, the Barcelona design group, does not go out of its way to get its products placed in movie scenes.

If one of the company's lamps, chairs or park benches suddenly shows up in a film, it is normally by chance. However, when the art director on Woody Allen's *Vicky Cristina Barcelona* was scouting for ideas ahead of filming last year, managing director Juan Eusebio Pujol was happy to make a pitch.

"We showed them a selection of our products," he said. "After all, it's not every day you get a chance to play a role in a Woody Allen film."

Movie-goers with an eye for design might have spotted the result of Santa & Cole's promotional enterprise: the kitchen of the character played by Javier Bardem is illuminated by an atmospheric fluorescent lamp suspended from the ceiling. Noteworthy for its length, warmth and sleek form, the light is a Fluor 07 by Antoni Arola, one of the award-winning local designers whose ideas are developed by Santa & Cole.

Calling itself a "design publisher", Santa & Cole is a unique outfit even by the more avant garde standards of Barcelona's creative sectors. Founded in 1985 by a small group of designers, entrepreneurs and their family and friends, the company edits and publishes books about design and designers, but this is more an aside than a central part of the business.

Its focus, rather, is to select concepts by designers, architects, interior decorators and landscape gardeners, develop them technically, organise production through a network of specialist manufacturers and store and sell worldwide.

This process is what the company defines as "publishing" objects. It then pays royalties on the sales, while protecting intellectual property rights.

The company's register of what it refers to as "authors" is a veritable Who's Who of Catalan, Spanish and European designers and architects. Antoni Arola is just one of its many stars. Its register also includes Vico Magistretti, Arne Jacobsen, Philippe Starck and Miguel Milá, the Spanish design master who, along with Sir Terence Conran, received the Compasso d'Oro Award in recognition of his career last year.

According to Mr Pujol,

Santa & Cole is unique even by the standards of Barcelona's creative sectors

Santa & Cole's location near Barcelona – in a converted school complex about 30km north of the city – is another of its assets.

"For a design-related company, Barcelona is a good place to be," he says. "For fashion you have Milan, and before, Paris; Barcelona is noted as a centre for industrial and interior design."

"When we tell people what we are doing, and that we are based in Barcelona, they have no trouble

making the connection."

Although its original focus, when it was created in 1985, was lighting, Santa & Cole has evolved into a diversified company with four broad product lines: indoor elements such as lighting and furniture; outdoor elements, which includes urban lighting, benches, designer bicycle racks, waste bins, garden enclosures, and other street features; trees; and books. Its catalogue also carries upmarket kitchens and office furniture.

The umbrella term for all of this is "material culture", which Santa & Cole defines as "a fine selection of elements that surround us, and that bring something extra on top of form or function: serenity, culture and well-being".

Tree cultivation, which complements its fast-growing urban furniture business, is the company's latest endeavour, and it currently has about a quarter of its 125-hectare Parc de Belloch estate under plantation.

Landscaping and urban design, a resilient business in times of crisis, currently accounts for about 60 per cent of sales, says Mr Pujol.

Despite modest turnover of €35m, and a full-time staff of 130, Santa & Cole is a genuinely global company. Its interior designs are exported to more than 35 countries, and it has representative offices and showrooms across Europe and the Middle East. Commissions for its urban design operation increasingly come from outside Spain.

If the company has any complaints about Barcelona as a business centre, it is its relative isolation from other places of commerce in Europe.

"It is important to have good international connections," says Mr Pujol.

"I think the new international airport terminal will help here." "However, we only got the Ave (high-speed train) connection with Madrid a year ago. We'd also like to have this type of connection with the rest of Europe."



Santa & Cole bicycle stands

Carmakers are forced to shift down a gear

MOTOR INDUSTRY

Cuts at Nissan and Seat underline the sector's importance, says Victor Mallet

The travails of Nissan and Seat in the Barcelona region help to illustrate how the global motor industry has suffered from the worldwide recession – but also how the downturn is rapidly obliging carmakers to adapt to new environmental and economic conditions.

Nissan of Japan invested in its plant near the port at the start of a 1980s drive to globalise operations – it went on to invest in the US and the UK – and took advantage of Barcelona's strategic position in southern Europe and the low cost at that time of Spanish labour.

Barcelona is as well-positioned as ever, and although labour costs have risen they account for only a small part of what is now a capital-intensive industry. But the market for the products that Nissan makes in Barcelona has collapsed, forcing the company to lay off hundreds of workers.

"Total demand for vehicles is down 20 to 30 per cent," says Fumiaki Matsumoto, managing director of Nissan

Motor Ibérica and a vice-president of Nissan Europe. "But for our products it's down 50 per cent and at this moment we cannot find bottom."

According to Mr Matsumoto, the plant faced a triple problem after the boom years earlier in the decade.

First, it produces the Pathfinder four-wheel drive vehicle and a mid-size van, both with large engines by European standards (2.5 and 2.0 litres). These were popular when economies were growing fast. The vans, for example, were ideal for electricians and others who served the booming construction industry. "This boom is finished," says Mr Matsumoto.

Second, various countries in Europe began introducing vehicle taxes linked to their emissions of carbon dioxide, which again penalised vehicles with larger engines.

And third, financing for vehicle purchases – an essential element of the motor industry in most markets – has dried up as the world's battered banks adopt a more cautious approach to granting credit.

Nissan, 44 per cent owned by France's Renault, does not envisage expanding its Barcelona workforce again, and believes it will eventually need only 2,800 employees compared with the 4,700 it had in 2007 and the less than 4,000 working today.

Mr Matsumoto, however, sees light at the end of the tunnel for his plant after securing agreement from three of the four trade unions for a strategy of quality improvement and cost reduction through the supply chain. By the end of this year, only eight months after its launch in Japan, his operation will start assembling the NV200, a new van with a smaller engine than the older models made in Spain.

Seat, the Spanish vehicle company originally established with the help of

'Green' investment and the drive for better productivity will be crucial in the next few years

Italy's Fiat in the Franco years and now owned by Volkswagen, has also been obliged to cut output at its huge Martorell plant outside Barcelona and temporarily lay off some of its 13,000 local employees.

Yet the news is not all bad. Most of the production is exported, and Germany's incentives for scrapping old cars have boosted sales in that country of the small and relatively clean Seat Ibiza by 160 per cent, according to Ramón Paredes

Sánchez-Collado, Seat's executive vice-president for human resources.

Last week, furthermore, Volkswagen awarded the manufacturing of the new Audi Q3 compact sport utility vehicle to Martorell in preference to other plants, an investment of €300m that will save 1,200 jobs.

The motor industry's importance to Barcelona, a significant shipping node to and from Asia via the Suez Canal, amounts to much more than the presence of Nissan and Seat. Hundreds of parts makers also have their bases in Catalonia.

Carmaking is a crucial part of the city's industrial heritage – it was in Barcelona that the luxury Hispano-Suiza cars were made in the first half of the 20th century – and the belated modernisation of the global industry could contribute to the upgrading of the local economy.

Companies in Spain have been no better than their international peers at developing a new generation of electric cars, despite the enthusiasm of the Spanish electricity grid for car-charging demand that would help soak up erratic supplies of night-time wind energy.

But Barcelona is known for art and design, including car design, and both Catalonia and Spain are eager to invest in new technologies.

Seat alone employs 80 designers and 1,000 research and development staff in Martorell.

Mr Paredes says more than 60 per cent of all the industrial robots in Spain are in the modern Martorell factory, which was opened in 1993. Solar panels have already been installed on the roof of the offices, and Seat plans to do the same with the vast roofs of the factory itself and the storage area for new cars.

"Green" investment and the drive for better productivity will be crucial themes for Barcelona's industry and the Spanish economy as a whole in the next few years. For managers, although perhaps not for workers or trade unions, the crisis could therefore turn out to have a silver lining, forcing them to adapt to more cost-conscious and environmentally aware times.

"If it was just a question of the low cost of labour you would have to close everything in Germany," says Professor Pedro Nuño, a management expert at the Iese business school. "Some companies have taken the opportunity to lay off people. Why? Because in this industry, even if you increase production, there is so much process improvement that you can always automate a bit more, you can always rationalise."



In the driving Seat: the VW unit's Martorell plant

Bloomberg



Temple of fashion: Zara's store in the Passeig de Gràcia, one of the chain's biggest outlets in the world

Big fish and minnows alike flourish in smaller pond

FASHION

Barcelona is home for young designers and well-known brands, writes Mark Mulligan

In Barcelona's fashionable Passeig de Gràcia, there is a temple to the business model of Inditex, one of Europe's most successful clothes retailers.

Although based in Galicia, in Spain's north-west, the creator of the Zara fashion range chose the country's most stylish city to site one of the biggest Zara-branded stores in the world.

A magnet to tourists and locals alike, the emblematic 1,900 sq m outlet is also among the world's busiest, and one of only a few Zara shops with a Zara Home – which sells soft furnishings – incorporated inside.

To many visitors, a stroll to the Passeig de Gràcia emporium to check out the latest in Zara's affordable catwalk-inspired apparel is part of the Barcelona experience.

That many of Inditex's other brands – namely streetwear line Stradivarius, the smart Massimo Dutti and Bershka's casual wear for women – started life as Catalan companies should come as little surprise.

Barcelona, and the region, has been a Spanish and European reference for fashion design and marketing for the better part of the past four decades. For centuries before that, Catalonia's industrial valleys and towns turned out textiles for Spain and the rest of Europe. Although the region has, since the 1950s, lost much of its textile production to low-cost centres such as Turkey, northern Africa, eastern Europe and Asia, Barcelona's mild climate, funky street life and stylish ambi-

ence stay on as an inspiration to young designers.

Regular events, often sponsored by the city and regional governments, promote this image, while endeavouring to help young talent. The city also lends its name to fashion brands such as Mango, sometimes known as "the other Zara", and the youthful Custo.

A global trend-setter conceived in Barcelona, Mango's first store was opened in the city in 1984, also in the Passeig de Gràcia.

From humble beginnings selling imported jeans at a flea market in Barcelona about 30 years, Mango founder Isak Andic today presides over a company with sales of €1.4bn and a presence in 90 countries.

The son of Turkish immigrants, his rise to prominence in the cut-throat world of fashion retailing has helped Barcelona consolidate as a global reference in the sector.

With its huge administrative headquarters, design

and logistics centre just outside the Catalan capital, Mango is today Spain's second largest textile and clothing exporter, behind Inditex. Custo, founded by Barcelona-born brothers Custo and David Dalmau, is another global brand intimately identified with the Catalan capital.

'Barcelona inspires, and it is not stuffy and closed like Milan or too competitive like London and Paris'

tal. Inspired by the hippy and beach fashions of California in the 1970s and 1980s, the brothers started out selling colourful T-shirts to the domestic markets before creating the "Custo Barcelona" brand in 1996.

Their flashy, colourful designs caused a sensation at the 1997 New York Fashion Week, earning them a following among Hollywood celebrities such as Julia Roberts, Brad Pitt and Claudia Schiffer. Today, Custo derives more than 80 per cent of its sales outside Spain, and boasts about 3,000 points of sale across the globe.

"Barcelona will never be Milan, Paris or London," says Paula Feferbaum, a fashion designer who settled in the city from Brazil 16 years ago. "But in many respects it is easier to get recognised here and be taken seriously."

Ms Feferbaum's story is typical of scores of designers and retailers who have made Barcelona their base. After a stint working for Custo and other fashion houses, she launched her own successful Paulinha Rio club wear line in the late 1990s.

From there she branched into fashion promotion, organising a series of events to showcase her work and

that of other young designers from Barcelona and elsewhere.

Called Circuit, her programme of events became well-known in Barcelona, as they were often staged in the city's streets and squares, or in the lobbies of historic buildings such as museums. The concept was finally adopted by the municipal and regional governments, which have thrown their promotional muscle behind the industry.

For years, Barcelona hosted the Bread&Butter trade fair of urban fashion brands, and will this year launch the Brandery, a similar event. Jordi Hereu, the mayor of Barcelona, describes the new fair as a "personal project that would help Barcelona become a reference point for international trade fairs in contemporary fashion".

Ms Feferbaum, meanwhile, is busy with Clarity, the company founded with brother Paulo that specialises in product launches and branding, and includes among its client list the likes of Nike, Swarovski, Maybelline, and L'Oréal.

"Basically, if you provide the platform, talent will flourish," she says.

This space to create and be seen has inspired scores of others. Desigual, founded by Swiss designer Thomas Meyer in the 1980s, is another brand that has prospered in Barcelona. After starting out selling his designer T-shirts to club-goers in Ibiza, one of the Balearic Islands, Mr Meyer can today count on 50 own-brand stores, out of about 1,500 points of sale across Europe and parts of Asia and the Middle East.

"Barcelona inspires, and it is not stuffy and closed like Milan or too competitive like London and Paris," says Ms Feferbaum. "Sometimes it's more rewarding being a bigger fish in a smaller pond."

'Gherkin' brings extra flavour

DESIGN

There is much more to Barcelona than distinctive architecture, writes Mark Mulligan

For anyone with a day or two to spare, and a desire to take in some of Europe's most inspired architecture and interior and industrial design, Barcelona offers the definitive route.

Called, simply, the Barcelona Design Tour, it takes in 150 points of interest, and includes hotels, bars and restaurants, design centres and universities, architectonic features, shops, fashion houses and bookstores.

The list is far from complete: Antoni Gaudí's Sagrada Família, the towering cathedral to modern gothic design, is absent. However, other works by perhaps Barcelona's most famous architect – namely the undulatory Pedrera apartment block and nearby Casa Batlló – are part of the tour, as are modern structures such as the Hotel ME, and the Agbar tower, the city's own "gherkin building" designed by Jean Nouvel.

"Design is important to Catalonia, and even more so to Barcelona," writes Jordi Montaña, a director of the chair of design management at the Esade business school. "Barcelona is a city that lives with design. Its plazas, public spaces, bars, restaurants and discos are, in general, well-designed and people like to identify with this."

The distinctive aesthetics of the city have helped make it the most popular tourist destination in Spain, and one of the world's favourite weekend breaks. Long known as a raffish port city of architectural interest, it was catapulted into the big league of global cities via the

much-designed and watched 1992 Olympic Games, an event that inspired a process of urban regeneration continuing today.

While this in itself has provided work for thousands of local, Spanish, and foreign architects, designers and urban landscapers, the city's sudden visibility has also helped it go some way towards becoming a hub for industrial design.

Carmakers Volvo, Renault, Nissan and Subaru all have, or once had, design centres in or around Barcelona, while at Seat, the Spanish marque controlled by Volkswagen, a team of 80 designers dream up models for the German group and its Audi and Bugatti brands. Hewlett-Packard, the US technology group, researches, designs and develops its large-format printers at a business park just outside the city, while Lego, the Danish toy maker, established a design studio in Barcelona in 2004.

In a report entitled "Barce-

lona, City of Design" Prof Montaña estimates that there are at least 8,000 designers living and working in Barcelona. The city is also home to an important number of design academies – including the prestigious Elisava and Llotja schools of design – offering a total of 80 design-related degrees and titles.

The fact that the Esade

The city is home to scores of design-focused associations, guilds and events

business school even has a professorial chair of design management, dedicated to studying design in business, also reflects the importance of the discipline to Barcelona.

The city is also home to scores of design-focused associations, guilds and events.

This fragmented network is set to find a physical centre at 22@Barcelona, the urban renewal project in Barcelona's Poble Nou district. The city's planners have identified design as one of five business clusters to be developed.

The city council plans to build a Museum of Design near the Agbar tower, which will bring together exhibits from disparate museums around the city and encourage industrial, interior and artistic designers to set up studios in the district.

In some respects, the idea is to bring industrial design home to its roots. Poble Nou was a district of mills, foundries and machine shops when the industrial revolution arrived in Catalonia, earning it the sobriquet of the "Manchester of Spain".

And, according to historians, Barcelona's industrialists were the drivers of a new wave of Catalan product

design in the 18th and 19th centuries.

Without a regional monarchy to foster and patronise artistic development, factory owners turned to the city's bourgeoisie to organise schools of applicable arts and crafts.

The Barcelona Chamber of Commerce complied, setting up the School of Noble Arts in the 18th century, which gave rise to the Llotja – or chamber of learning and exchange – school of design. Industrial design flourished in the 19th century and the early 20th century, and numerous guilds were established to protect and promote new ideas. The works of Gaudí and his later contemporaries, including painters such as Joan Miró and Salvador Dalí, only served to add to Barcelona's image as city of artistic innovation.

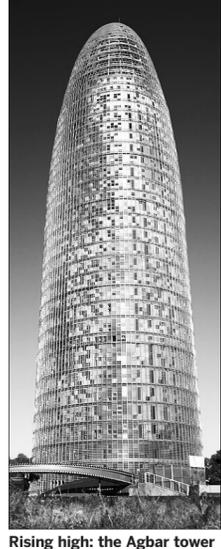
"It was a chance for the Catalan bourgeoisies to show off their artistic tradition to the world," says Jordi Bonet, chief architect on the Sagrada Família project.

After the Spanish Civil War and the oppression of the Franco years, the city began to regain its prominence as an artistic centre in the 1970s. Barcelona's preparations for the 1992 Olympic Games fostered a new wave of urban, product and marketing design, according to Prof Montaña.

"It was a golden era during which powerful design teams were consolidated," he writes. "Designers became public personalities, and their creations, popular."

According to Josep Miquel Piqué, chief executive of 22@Barcelona, the city's future as a design hub depends largely on how successfully it lures foreign talent to its shores. The district has already attracted a smattering of design studios and academies.

"Design isn't just about products," he says. "It's also about having the right environment in which to be creative."



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Doing Business in Barcelona

'More than a club' plays its own game

FC BARCELONA

Simon Kuper on the special relationship between Barça, its global fan base, Catalonia and Spain

On the face of it, there is no reason why Barcelona should have the most popular football club in Europe.

The metropolitan area is only the continent's ninth largest. FC Barcelona never had the ready foreign exposure of English clubs such as Liverpool and Manchester United, which spread their name partly through networks left over from the British empire, such as the English language and the BBC. On the contrary: during the decades that General Franco ruled Spain, Barcelona was largely closed off from the world.

Yet Barça (as FC Barcelona is known) has about 4m European fans, slightly more than Real Madrid or Manchester United, according to the market researchers Sport+Markt. Even that figure – almost equal to the population of Spain – cannot quite convey the club's prestige. Barça counted Pope John Paul II as a member and has a museum that outdraws the city's Picasso Museum. As Barça's motto says, this is "more than a club".

It is a status the club owes largely to Catalan nationalism. "The unarmed army of Catalonia" is how Manuel Vazquez Montalban, the local novelist,

Whereas other clubs have sponsors' names on their shirt, Barcelona's shirt advertises Unicef

described Barça. This club is "more than a club" because many Catalans support it as a sort of psychological surrogate for the state they do not have. And most of them appear happy with that arrangement.

Barça was founded in 1899, and for most of its history Spain's centralist rulers in Madrid were suppressing Catalan nationalism. When the Catalan red-and-yellow flag and language were banned, Catalans often used Barça's symbols instead. In the 1920s, locals waved the club's blue-and-red flag in nationalist protests against General Primo de Rivera, then Spain's dictator.

From the late 1960s, as General Franco's rule waned, the banned Catalan flag and language first began re-emerging at Barcelona's games in the Nou Camp stadium. Many local fans at the time treated Barcelona's rival Real Madrid as emissaries of Madrid's fascist regime. Lluís Flaquer, a leading sociologist in Barcelona, has said: "You couldn't shout 'Franco, you murderer!' on the street, so people shouted at Real Madrid players instead. It's a psychological phenomenon: if you can't shout at your father, you shout at someone else."

Catalonia gained significant autonomy after Franco died in 1975. Nonetheless, Barça has remained more than a club. Jordi Puntí, a Catalan novelist, says: "It's not Franco anymore, but still, when Barcelona play

Madrid it's like Catalonia playing Spain." Still, when Barcelona win a trophy, the players and local politicians traditionally show it to the crowds from the balcony of the Catalan government's palace on the Plaça Sant Jaume, and shout, "Visca el Barça, visca Catalunya!" – which, the nuances no doubt lost in translation, means, "Barça wins, Catalonia wins."

Barça's president is elected – by the club's 150,000 socios, or members – with as much fanfare as any president of Catalonia itself. The incumbent, Joan Laporta, is a Catalan nationalist who once co-founded a party seeking independence from Spain. He has even tried to get Barcelona's foreign players speaking Catalan, albeit with limited success: team talks are held in Spanish.

But for all Laporta's rhetoric, Barça no longer means quite as much as it did when other Catalan symbols were forbidden. Puntí says Catalanism has become less central to the club's identity. After all, when José Luis Rodríguez Zapatero, Spain's prime minister, is himself a Barça fan, it becomes harder to present the club as a resistance movement against Spanish centralism.

"Even the famous sentence 'More than a club' in a certain way has become old-fashioned," says Mr Puntí. "This sentence used to be around all the time, and now it's not." He believes the Laporta regime has tried to give new meaning to "more than a club" by recasting Barcelona as a sort of global movement for morality. Whereas other clubs have sponsors' names on their shirt, Barcelona's shirt advertises Unicef. The club also aspires to lead the way in football's battle with racism.

Whatever "more than a club" means now, fans around the world still respond to it. Barça's grandeur has always attracted foreigners. The club has 1,462 penyes, or fan clubs, in countries as varied as Cuba, Niger, and Guinea-Conakry. A member of parliament in newly-independent Kosovo says many Kosovars including her own father support Barça because they believe the club stands for independence.

However, that is to misread Catalanism as an independence movement. For the most part, it is not that. While Kosovo and many other European nations smaller and poorer than Catalonia have gained independence since the early 1990s, Catalonia has stuck with Spain. Polls consistently show that only a minority of Catalans want independence.

Most inhabitants of Catalonia say they feel at least partly Spanish. Many of them want not a state, but some political autonomy for Catalonia, and also something vaguer than that: some symbols to show that Catalans are a separate people.

When Barcelona hosted the Olympics in 1992, many foreign observers read the Catalan flags that draped the city as a demand for independence. In fact the flags themselves were the point: Catalans wanted the symbols of a nation. Chief among these symbols is FC Barcelona. That is probably why – its beautiful football aside – Barça is the most popular club in Europe.

Simon Kuper is author of *Football Against the Enemy* (Orion, £7.99).



Work in progress: the eternally controversial Sagrada Família church is still being built, more than a century after the first stone was laid in 1882

Dreamstime

Offering a feast for the eyes

VISITORS' GUIDE

Victor Mallet and Mark Mulligan pay homage to the city's many delights

Since the days of Catalan Gothic, Barcelona has been the quintessential city of architecture, and it would be hard to enjoy it to the full without relishing the visual delights of its buildings as much as the taste of its Mediterranean food.

For the first-time visitor, there are few better ways to absorb something of the city's long history than to lean back in a taxi, roll down the window and – carefully ignoring the garish ground-floor shopfronts that could belong to any metropolis – study the first and second floors of the buildings as they pass.

From the medieval to the ultra-modern, from the conventional to the very eccentric, almost every architectural style and foible is on display just above the heads of the pedestrians: Mediterranean balconies; Haussmannian apartments; 20th century office towers; bourgeois blocks commissioned by Catalonia's wealthy but prudent capitalists who lived on the first floor above their business premises and rented out the flats above; neo-classicism; art deco; art nouveau and modernism. And, in particular, of course, the work of Antoni Gaudí, Barcelona's most famous son.

"Gaudí was the greatest architect and (many would say) the greatest cultural figure of any kind that Catalunya had produced since the Middle Ages," wrote Robert Hughes in *Barcelona*, his definitive and entertaining architectural and political history. "His work dominates Barcelona as Bernini's does Rome, setting a scale of imaginative effort against which one is apt to measure everything else. And most of his best buildings are in or near the city."

Gaudí's best-known and most-visited work is the unfinished and eternally controversial Sagrada Família church, whose dominant presence on the city

skyline is matched only by Barcelona's own 21st century gherkin, Jean Nouvel's Agbar Tower.

The style of Gaudí, a devout Catholic who was obsessed by trees and other natural forms and by complex geometric transformations, is almost impossible to describe, though Hughes made a bold effort. "The surfaces twist and undulate; the space wriggles, flares, solemnly inflates, and then collapses again. It is haptic, not abstract, a womb with a view."

Like Barcelona or any great city, and like a medieval cathedral, the Sagrada Família is a work in progress. George Orwell, who was in hiding in faction-ridden Barcelona after fighting on the Republican side in the 1936-39

Civil War, memorably described it as "one of the most hideous buildings in the world", said the spires looked like hock bottles and lamented the bad taste of the rampaging anarchists in not blowing it up when they had the chance.

Yet it is still being built, more than a century after the first stone was laid in 1882. Jordi Bonet, the octogenarian chief architect in charge of the project, is almost as controversial as Gaudí himself – Hughes is scathing about his attempts to interpret Gaudí's intentions – but even after 25 years on the job he bubbles with enthusiasm about a man once described by a papal nuncio as the Dante of architecture.

By September next year, says Mr Bonet, the walls of the extraordinary building that is currently more building site and tourist attraction than church will be finished, though much work remains to be done over the next decade on new towers and upper structures. Instead of occasional services for 600 people in a corner of the edifice, it will be possible regularly to celebrate mass in a place designed to hold up to 10,000 worshippers.

"The Gaudí idea was that the naves of the church will be as a forest, and the light will come from above as in a forest," said Mr Bonet, who seeks to connect the start of the work in the 19th century with its sporadic continuation in the 20th and its hoped-

for completion in the 21st. "It is a work spanning the centuries. We are already in the third."

Although Gaudí helped define Barcelona's very particular look and feel, his is not the only show in town. For lovers of architecture and design in all its forms, the city offers a feast for the eyes.

Modernist painter Pablo Picasso, although from Malaga, became an adopted son of Barcelona, and the museum dedicated to his life and works has become another of the city's most-visited attractions. Located in the atmospheric Montcada street, in the trendy Born district, the museum is spread along a series of gothic townhouses, and is rarely seen without student and tour groups and assorted travellers queuing outside.

While few would doubt that Picasso was inspired by the convoluted neo-Gothic shapes of Gaudí, the architect himself drew a lot of his inspiration from the medieval masters of Catalan Gothic, a style that is considered to be more austere and to place more emphasis on the horizontal than the broader European Gothic.

One of the finest examples of this architectural style is the Basilica Santa Maria del Mar, one of Barcelona's four showcase churches, also in the Born neighbourhood.

Designed by architects Berenguer de Montagut and Ramon Despuig, the unusually austere structure has, for centuries, been associated with seafaring folk and others from the labouring classes.

Compared with the Sagrada Família, it was erected relatively quickly, between 1329 and 1383, as "according to the chronicles, most of the able-bodied population of Barcelona worked on it", according to Hughes. It has since endured everything from earthquakes and fires to mob sacking during the Spanish Civil War.

"Inside, the scale is immense," writes Hughes. "There is no grander or more solemn architectural space in Spain than Santa Maria del Mar."

Only the admirers of Antoni Gaudí who queue each day outside the Sagrada Família may beg to differ.



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