



Why is Barcelona, Spain a ripe environment for foreign direct investment?

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Abstract

Historically Barcelona, Spain is proving to be an increasingly attractive place for foreign direct investment (FDI) over the past few years. Specifically, its hyperconnected, dynamic and innovative qualities have offered a mix of opportunities in areas such as the startups, industrial systems as well as technologies. This paper analyzes the significant aspects that primarily influence the competitiveness of Catalonia's environment. Controlling for other key factors, federal laws and regulations and macro economic performances also have a large association to its high attractiveness.

I.Introduction

Cisco Systems, an American-based multinational tech giant, recently announced the opening of a new design center for next-generation semiconductor devices in Barcelona, Spain. Co-located with the Cisco Innovation Center in Barcelona, the center is claimed to be the company's first such facility in the European Union. Given the second time of choosing Barcelona, Cisco posited Barcelona as the best place for investment for three major reasons. One is the massive support received from the public sector. The Spanish Government, the Barcelona State Council, and Catalonia Trade & Investment- the public agency for foreign investment- have all helped in carrying out major technological steps forward and helping to pitch the area to decision-makers in the US. Barcelona also has a hyperconnected ecosystem and worldwide innovative hub, full of large corporations, research centers, laboratories and startups that build a powerful foundation for Cisco. Lastly, the availability of skills and talents generated in very powerful universities and business schools is also positively displayed as a source for employing a high quality labor force.

Cisco's decision to invest was announced after Cisco CEO Chuck Robbins met with Spain's Prime Minister Pedro Sánchez in Madrid. The investment is part of the Spanish government's Strategic Project for Economic Recovery and Transformation in microelectronics and semiconductors, financed by the EU Next Generation Fund and expected to allocate over \$12 billion. The government fervently believes this project will stimulate research and development ("R&D") within its microchip industry, boosting the local economy and attracting further investments. This also guarantees both Catalonia's and Europe's technological independence and reindustrialization. Besides, the project of another American tech giant Intel is also noteworthy, which will open a microchip laboratory in the Barcelona Supercomputing Center. The company's \$200 million investment would be matched by an equal size of public funds.

Cisco is a great example of how Foreign Direct Investment ("FDI") has played a significant role in modernizing the Spanish economy over the past 40 years. Additionally, FDI is becoming increasingly important to the Spanish economy and the country has looked to attract more FDI investment. Attracted by Spain's large domestic market, export possibilities and growth potential, foreign companies and a surplus of multinationals operate in large numbers in Spain. Accounting for 25% of Spanish industry and 20% of the country's GDP, Barcelona has been ranked by FDI Intelligence magazine as having Europe's best strategy to promote and attract foreign investment,

ahead of capital cities such as Dublin and Berlin. Barcelona seems ripe for FDI, but there are several improvements needed to attract more investors.

Part I of this paper outlines the history and evolution of FDI in Barcelona and how it has progressed over time. Part II presents the overview of FDI, in terms of its laws and regulations. Part III unpacks several distinctive forms in which FDI takes place as well as the different options for investing. Part IV identifies reasons why Barcelona is an optimal place for investment. Part V explores the potential hurdles for investors. This paper concludes by suggesting ways to improve upon the current imposed FDI laws and regulations.

II. History and Evolution of Foreign Direct Investment in Spain

Because the Franco regime won the 1936-39 Civil War and sided with Hitler and Mussolini, the post World War II Marshall Fund which benefitted nearly all European countries was not accessible to Spain. It was not until the 1953 Pact of Madrid which established US bases in Spain, that the country began to receive an influx of foreign investment and aid. Seven years later, the liberalization measures of 1959 passed and transformed the country, granting complete freedom to investments as long as foreign ownership does not exceed 50% and opening up more opportunities for foreign companies.

Between 1961 and 1973, the Spanish economy grew by real means, spurred by FDI inflows mainly performed by the US. In addition, inward FDI which contributed to 4.2% of GDP continued to surge after Spain joined the European Economic Community ("EU") in 1986. The country's motor industry, for instance, is owned completely by multinationals (attracted by the size of Spanish market's growth potential), as well as other industries like electrical appliances, information technology, and consumer products; occupied by Sony, IBM and HP, and Unilever, respectively. Several foreign banks, including Barclays, Citibank and Deutsche Bank, also required retail banking networks from ailing Spanish banks.

FDI in Spain had experienced a downward slope since 2002, caused both by the increasing competitiveness of EU countries like Hungary, Poland and Czech Republic, and by Spain's own incomplete reforms in the labor market. Nonetheless, Invest In Spain- Ministry of Industry, Trade and Tourism was established in 2005 by the Spanish government, and aimed at providing a range of services and support to foreign investors looking to establish or expand their presence in Spain.

As one of the main investors in Spain, the US has brought in several notable direct investments and played a key factor in the internationalization of the Spanish economy. Some of the companies are among the largest in size and exports in Spain: Opel (part of General Motors) and Ford in the automotive industry; IBM and Hewlett Packard Compaq in IT; General Electric etc. According to the US Bureau of Economic Analysis, the growth in US investment in Spain has been among the fastest in Europe; US investment in Spain rose five times between 1994 and 2006 to US\$49.4 billion, compared with a doubling in Italy to US\$28.9 billion.

Of all the regions in Europe, Catalonia and Barcelona are leading destinations when it comes to attracting FDI. During 2007-2013, worldwide FDI declined by around 27%. Specifically, Europe decreased by 72% and Spain by 47%. Conversely, Catalonia had a 50% inflow of FDI and a 12.7% growth in terms of its share in Spain's FDI through 2008 to 2013, showing its resilience to recession and extraordinary performance. Additionally, between the 2008 and 2013 period, inward investments totaled €22,220 million and this share rises to 85% if only accounting for productive investment. Together, this implies that FDI constantly displays strong and stable records in Catalonia

Between 2010 and 2016, productive FDI flows in Catalonia reached three peak levels since 1993, including 2010, 2015, and 2016. After 2015, the trend was maintained, growing 2.4% and receiving a high record of \$5,052 million primarily led by industry sectors. In 2016, Catalonia's productive FDI accounted for 21% of all productive investment in Spain and in 2010, Catalonia represented an extraordinary 39% of Spanish inward FDI, making it the first destination for FDI projects in Spain's Autonomous Communities. It is relevant to note that Catalonia's GDP was 20% of Spain's GDP. Regarding inward investment in 2010, Catalonia received FDI 722 projects, which accounted for 35% of Spain's total.

Compared to other similar administrative regions in the EU, Barcelona has an outstanding rank of FDI projects received by the five most important sectors. Barcelona has a leading position, ranked as second in life sciences and fourth in transportation, as EU destinations with the most FDI projects received in between 2010 and 2016.

III. Overview of Foreign Direct Investment in Barcelona, Spain

A. Spain's Policy Measures Toward Foreign Investment

The Government of Spain acknowledges the value of foreign investment and offers an abundance of opportunities to highly valued sectors. Spain has a favorable legal framework for foreign investors as it adapts its foreign investment rules to a system of general liberalization, without distinguishing between EU and non-EU residents. The Spanish Constitution and Spanish law apply the principle of non-discrimination of foreign investors; foreign investors can operate any type of business under the same conditions as a local investor and receive the same legal treatment as Spanish companies, in terms of local access to markets, credit, licenses and supplies.

On 19 October 2022, the government adopted Royal-Decree-law 18/2022 that allows unrestricted depreciation/amortization, for corporate income tax purposes and investments in facilities intended for self consumption of electricity from renewable sources. On 23 December 2022, Spain approved the General State Budget Law for 2023 that reduced corporate income tax rate from 25 to 23 per cent for entities and introduced a new special tax regime for investment in the Balearic Islands. On 27 December 2022, the Government of Spain issued the Royal Decree-Law No.20/2022 that extended and expanded the scope of foreign investment definition to cover those investments by which control is acquired over "all or a part" of a Spanish company.

To support foreign investment, the financial instruments approved by the Spanish government are the Foreign Investment Fund, the Fund for Foreign Investment by Small and Medium-sized Enterprises, the Enterprise Internationalization Fund, and the Fund for Investment in the tourism sector. The Spanish Government also offers financing lines (loans and credit lines, subsidies and grants, tax incentives, R&D funding) for investment in the electronics, information technology and communications, energy (renewables), and infrastructure sectors. This helps to facilitate Spanish companies' access to capital, reduce the risks associated with overseas investments, and provide information and support throughout the FDI process.

Spain has established bilateral investment agreements with almost 90 countries. Spain and the United States have a Friendship, Navigation, and Commerce Treaty, and a Bilateral Taxation Treaty (1990), which was amended on January 14, 2013, and entered into force in November 2019 to prevent double taxation of each other's nationals. Spain's extensive network of bilateral investment agreements, including its FCN Treaty and Bilateral Taxation Treaty with

the United States, reflects its commitment to fostering a favorable environment for foreign investment.

B. Laws and Regulations Related to Foreign Direct Investment

Spain's local regulatory framework compares favorably with other major European countries. With a license from only one of Spain's 17 regional governments, companies are able to operate throughout the Spanish territory. The measures are designed to help cut business operating costs, improve competitiveness, and attract foreign investment.

In 2015, changes to the Personal Income Tax created tax on unrealized gain from investment, affecting transfer of investment outside of Spain. Spanish residents who have resided in Spain for 10 out of 15 years are subject to between a 19% and 23% tax if they relocate their buildings to outside of Spain.

Some US and foreign companies based in Spain posit being disadvantaged by the Tax Administration's ("AEAT") interpretation of Spanish legislation designed to attract foreign investment. However, AEAT has investigated and disallowed deductions based on operational restructuring at the European level involving a number of U.S.-owned Spanish holding companies for foreign assets (Empresas de Tenencia de Valores Extranjeros or ETVEs), claiming the companies are committing illegal measures. This situation disadvantages FDI in Spain which causes many US companies to channel their Spanish investments and operations through third countries.

In enticing more qualified workers, a special tax scheme known as the Beckham Law (also called Special Expats' Tax Regime invites global workers to settle in Barcelona. Specifically, it allows expats to pay taxes on their Spanish-sourced income as non-resident taxpayers at a reduced fixed flat rate, benefiting high-earning expats who would otherwise be subject to paying up to 48% of progressive tax.

In 2013, Spain passed the "Law of Entrepreneurs," which established an entrepreneur visa for investors and entrepreneurs for those whose business plans have been approved by the Spanish Commercial Office. There are other key provisions of such law that are established to reach the goal. For instance, Entrepreneurial Limited Liability Company is a new type of legal entity that allows for simpler and quicker establishment of companies with limited liability. Several different aspects of the Law of Entrepreneurs - such as reduced capital requirements, tax deductions for startups, and residence permits for Non-EU entrepreneurs - help to promote entrepreneurship and facilitate growth and investment.

At the beginning of 2023, a new law was passed by the Spanish Government which will benefit a large number of foreign investors and entrepreneurs internationally. This new "startup law" benefits these individuals by providing a residence allowance for foreigners working remotely in the country. Its aim to stimulate creation and development of innovative tech companies in Spain and attract global talents is supported by a wide array of tax incentives, favorable regulations, elimination of bureaucratic barriers and more flexibility. For instance, firstly, a beneficial tax climate of reduction of corporate tax from 25% to 15% for a maximum of four years as long as the company is considered a startup that favors the investment of new companies. Secondly, this law regulates transactions effectively and efficiently. Investors are given greater legal certainty regarding the coverage of investment in startups. Tax incentives for investors also establish firm's ease of access to capital. Maximum tax deduction base will also be increased to \$100,000 annually, reducing by a great 40%.

In addition to the startup law, Spain has Double Taxation Treaties (“DTTs”) with many countries to prevent double taxation of income. It provides foreign investors with a predictable tax environment. They specify the rules for taxing various types of income, including dividends, interest, and capital gains, helping investors understand their tax liabilities in the host country, such as Spain. It also promotes cross-border investment by reducing tax barriers. This encourages foreign investors to allocate their resources more efficiently and invest in Spain's economy, fostering economic growth and development. DTTs can help alleviate the risk of double taxation disputes between countries. In the event of a dispute, the treaties often include mechanisms for resolving conflicts through negotiation and arbitration.

C. Industrial Policies

An array of investment incentives are available in Spain, varying based on the authorities granting the incentives and the type and purpose of the incentives. The Spanish Institute for Foreign Trade is a national, public corporation which aims to promote the internationalization and competitiveness of companies in Spain. At both national and regional levels, governments provide financial aid (includes both nonrefundable subsidies and interest relief on loans) and tax benefits in prioritized industries (e.g., mining, technological development, R&D, etc.), given these industries' potential impact on the overall economy. Additionally, some autonomous community governments (also known as Spain's 17 regional governments) grant additional investment incentives that are not covered by state legislation but which are included in EU regional financial aid maps. Royal Decree 899/2007, of July 6, 2007, sets out the different types of areas that are entitled to receive aid, along with their ceilings.

As Spain is a European Union (“EU”) member state, investors benefit from European aid programs, making investment in Spain even more attractive. Also, The Ministry of Economy and Digital Advancement assists businesses seeking investment opportunities through the Directorate General for International Trade and Investments and the Directorate General for Innovation and Competitiveness. These all provide support to foreign investors in both the pre- and post-investment phases.

IV. The Different Options For FDI In Barcelona, Spain

A. Startups

Barcelona had over 2,000 startups in 2022, with an increase of 6.3% over the previous year. Nearly 60% of Catalan startups have been created over the last five years and attracted €1,652 million in startup investment, suggesting a growing solidity of the Catalan ecosystem. Catalan startups have reached an aggregate turnover of €1,720 million and a 6% increase in the number of employers. According to Catalonia Trade & Investment, Barcelona is regarded as the second startup hub with a high percentage of international founders and one quarter of the workers are foreigners. It is also noteworthy that 67% of Catalan startups have foreign clients, presenting 44% of their average turnover. From a technological standpoint, 33% of startups work with artificial intelligence and big data, with 76% of these companies working with technologies linked to Industry 4.0 (integration of new technologies in manufacturing industries). Nevertheless, Catalan startups also consist of diverse sectors, including health, mobile, business services and software, food and finance, with technology sectors taking up the highest proportion.

Funding of startups in Barcelona exemplifies the city's support for a startup ecosystem. In 2022, Catalonia raised \$1,653M in investment in startups and between 2018 and 2022, it stood at \$5043M, an increase of 269% compared to the previous 5 years. Moreover, international fundings took part in 19 out of the 20 largest rounds. Three quarters of all startups raised funding, with 24% of those raising over one million euros. Moreover, prominent venture capital firms including Nauta Capital, Caixa Capital Risc, and Kibo Ventures, as well as the rapidly growing community of angel, corporate and strategic investors further support innovation in the startup hub.

International trade events such as the Mobile World Congress, 4YFN and the Smart City Expo World Congress draw thousands of visitors to the city each year. Organizations like Barcelona Activa, 22@Barcelonam and Barcinno actively work to promote Barcelona as an international tech hub when attracting foreign investment, companies and founders. Over 40 incubators and accelerators with mentors from across the world are providing entrepreneurs and startups.

B. Industrial Systems & Digitalization

The interconnected network, consisting of more than 22,000 companies in the fields of ICT and digital sector, expanded by 15.1%. Half of the 50 leading international innovative companies, defined in terms of R&D spending, industry influence and financial performance, establish themselves in Catalonia, including large companies such as Microsoft, PepsiCo, Nestlé. Over the last five years, the number of companies in the ICT sector in Catalonia has increased 13%. Catalonia is home to 22.4% of all ICT companies and 18.8% of workers in Spain. With a substantial combined turnover of \$30 billion, equivalent to 12.4% of Catalan GDP, Catalonia continues to thrive as a vibrant and influential center for the ever-evolving digital and ICT landscape.

C. Mobility And Transportation

FDI is instrumental in Catalonia's automotive manufacturing industry, reinforcing its position both nationally and globally. FDI has fueled the expansion and modernization of manufacturing facilities in the region, enabling Catalonia to maintain its 20% share of vehicle production in Spain. This infusion of foreign capital has also facilitated the adoption of advanced technologies, automation, and sustainable manufacturing practices, enhancing the industry's competitiveness. Additionally, FDI has played a pivotal role in fostering international collaboration and partnerships. Global automotive OEMs, like Seat within the Volkswagen Group, have benefited from FDI to develop cutting-edge vehicles and innovative mobility solutions. These investments not only strengthen Catalonia's automotive ecosystem but also position it as a global research and development hub for the automotive industry. Moreover, FDI in Catalonia's engineering firms and Tier suppliers has enabled them to participate in global supply chains, providing critical components and services to automotive companies worldwide. This interconnectivity amplifies Catalonia's significance within the global automotive landscape, attracting further FDI and reinforcing its reputation as a powerful mobility industry center in Barcelona.

Moreover, it also is home to many businesses in promoting sustainable mobility and smart cities sectors, which covers industries like automotive, railway, mobility services and

telecommunications. The automotive industry is supported by many advanced R&D centers and over 200 countries, in turn boosting international competitiveness. Today, Catalonia focuses on transforming the automobile industry towards an electric and more connected system. Barcelona is also regarded as Southern Europe's leading 5G hub, promoting 5G technological products. Furthermore, the headquarters for the EIT Urban Mobility project, the largest European initiative to transform mobility, is in the capital of Catalonia.

From a geographical perspective, Barcelona and Catalonia take great advantage of their strategic location in Southern Europe. Combined with its leading infrastructures that provide essential connectivity to various international routes, they have wide and fast access to markets throughout Europe, the Mediterranean, and Northern Africa, establishing it as a great center for highly specialized logistics.

D. Health And Life Sciences

A world-class network of medical institutions, hospitals, research centers, biotech startups and pharma companies have chosen Barcelona and Catalonia as the leading global hub for innovative life science businesses. Catalonia is regarded as having Europe's densest pharma environment (a total of 79 industrial plants and 15806 employees) and is home to the five largest and more prominent Spanish pharmaceutical companies (Almirall, Esteve, Ferrer, Frifols and Uriach). There were over 1,300+ life sciences businesses in 2021, which grew by 8% in 2022. Life sciences exports represent \$7.78B in economic activity.

Barcelona is ranked as the 2nd destination worldwide with its 91 leading scientific research centers in the health, wellbeing, and life sciences industries. Catalonia ranks among the top 10 in the world for number of participants in clinical trials; since 2001, they have conducted over 1,200 active trials to test new therapies and drugs in patients. Thus, Catalonia's rapidly expanding and robust digital health technology environment are results of its innovative and exceptional pool of companies, as well as its rooted adoption of life sciences that make the region a suitable place for further widening the scope of digital health. Today, more than 200 companies work in the sector and an increasing number of digital hubs. Also their beauty and personal care industry is highly globalized, accounting for nearly half of all Spanish exports. The presence of Silver Economy companies in Catalonia, mainly focusing on the health and quality life of citizens, is also growing in number.

V. The Reasons Why Barcelona Is An Optimal Region For FDI

A. International Perception and Ranking of Catalonia and Barcelona

Catalonia and Barcelona are appealing regions to invest in for companies based on a variety of factors. Most notably, Catalonia received a rating of 3.7 out of 5 for the best places to invest, which was a high mark followed by European and American companies, with 3.70 and 3.65 points respectively, from a study performed by the Barcelona City Council which rated different factors including costs or macroeconomic or institutional factors. Additionally, Barcelona continuously ranks with the best quality of life and livability. Ranging from the weather, culture, deep rooted architectural heritage, and growing cosmopolitanism, Barcelona is an attractive and feasible region. The country also attracts a pool of talented international workers through its high

quality of educational resources, excellent healthcare system and convenient transportation and security.

Geographically, Barcelona's coastal Mediterranean location in Southern Europe provides interconnectivity in both the national and global context. Its logistics network can access consumers rapidly through different means of transport. Barcelona is one of the few cities which have adopted a full modal integration, possessing a comprehensive and interconnected transportation system that facilitates smooth and efficient movement of people and goods across different modes of transport. With this, it makes Barcelona an optimal place to reach markets worldwide. Its close ties with Latin America due to shared culture and history provides a natural route to markets in the region. The port of Barcelona brings beneficial opportunities from international trade, connecting to Asia and America. Located only 7km away from the city center, Barcelona's major airport hub offers a convenient route for European business trips.

The availability of skilled, highly motivated and low cost labor increases the competitiveness of the Barcelona area when enticing FDI compared to the other Western countries. The satisfying levels of labor reforms, in addition to a low labor force turnover in companies which makes it easy to employ young talents, demonstrate the area's attractive business climate. Moreover, Barcelona is regarded as the global hub for tech professionals which allows them to find the best job opportunities in some of the best tech programs in Spain.

Barcelona and Catalonia enjoy a competitive and vibrant environment that makes the region appealing for entrepreneurship, innovation and R&D. Leading scientific facilities, dynamic research ecosystems, and the government's commitment to innovation make it a magnet for tech investments. Representing only 0.1% of the world's population, Catalonia produces 0.79% of worldwide scientific production. 50% of the main global innovative companies can be found in Catalonia, reflecting it as a great hub for both working and living in terms of standards of living and talent attraction.

Cluster policy and programs provide Catalonia's pro-business and diversified economy, offering the primary sources of knowledge based on sector, businesses of interconnected fields, and universities. 27 clusters that are home to 2,700 businesses represent 30% of the Catalan GDP, making Catalonia attractive to the global cluster network and European Foundation for Cluster Excellence. These clusters merge firms on a global scale, not only offering an ease of access to different resources, but also allowing foreign companies to become more effective as they enter the ecosystem of partnership. Major clusters in Barcelona-Catalonia are segmented based on specific sectors such as food, mobility, advanced manufacturing, water, energy and health, representing value of experience in the cluster policy that could be derived by each and every sector of the economy.

Catalonia's long history of commitment to R&D in science and technology have formed the backbone of Catalan's diversified industry and economy. The both intensive and extensive network of noble scientific and tech hubs attract an influx of talented workers while making scientific research relevant to different industry sectors. Some of the leading research facilities, including Institute of Chemical Research of Catalonia and Alba Synchrotron, are among the finest research centers and infrastructure which performs groundbreaking research into a diversity of fields. Catalonia's own research facilities such as Eurecat and Leitat also work with companies and offer advanced R&D services, aiming to stimulate more value within R&D projects. Additionally, external public support for innovation from the Catalan Government such as the TECHNIO program certifies qualified workers for providing innovative technology to companies.

The Spanish National Research Council, the largest public research organization globally, has 21 centers in Catalonia, helping to bring scientific and technological processes into action.

B. Profitability

Barcelona presents an enticing landscape for foreign investors in terms of its profitability prospects and the long-term viability of foreigners' investments in this dynamic and thriving European hub.

Barcelona's labor costs are lower than those in other Western European countries such as France, Germany, and the United Kingdom. This cost advantage is attractive to foreign companies looking to establish or expand their operations in Europe while still managing their operational expenses effectively. The city's lower labor costs facilitates cost-effective market entry strategies for foreign companies, enabling them to navigate the challenges associated with establishing a presence in a new market more comfortably. With reduced initial operational expenses, companies can gradually expand their operations as they grow in the European market.

Moreover, companies seeking to establish a presence in Europe often look for cities that offer cost advantages to maximize their return on investment. Barcelona's comparative affordability makes it an attractive location for establishing regional headquarters, manufacturing facilities, or research and development centers. Given the above factors, companies are more inclined to set up their businesses in Barcelona and perform investments.

VI. Hurdles For Investors Who Are Looking At Catalonia-Barcelona

A. Foreign Direct Investment Issues

Investors exploring opportunities in Catalonia-Barcelona, despite its appeal, encounter certain challenges and hurdles that warrant careful consideration.

Institutional and administrative obstacles, including over-regulation, bureaucracy, and delays in administrative processes decrease business. The frequent changes in laws or court rulings, including taxes, is often not clearly expressed. For instance, starting a small business in Barcelona often involves navigating a complex web of permits and licenses. Obtaining a license to open a restaurant, as an example, may require agreements with several regulations related to health, safety, zoning, alcohol permits, and more. These requirements may be overwhelming for entrepreneurs and result in lengthy delays. Simultaneously, construction projects in Barcelona may face significant delays due to bureaucratic hurdles. Obtaining building permits can be a time-consuming process, with multiple layers of approval required from different government departments. Changes in tax laws and regulations can be frequent and sometimes unclear. For example, the Spanish government may introduce new tax policies or modify existing ones, impacting individuals and businesses. These changes may create confusion and require tax professionals and business owners to become increasingly flexible in adapting to evolving regulations. In some cases, property owners in Barcelona may struggle to interpret the valuation criteria used for property taxes. The criteria used by local authorities to determine property values is not always transparent, leading to disputes and legal challenges. It is also noteworthy that concerns for foreigners may worry about how possible changes in Catalonia's political status could affect its ability to maintain EU membership or negotiate favorable trade terms with the EU.

The rigidity of bureaucratic processes when foreign companies attempt to establish themselves has been viewed negatively. This inflexibility becomes a drawback when contrasted with other European regions where laws and regulations can be more adjusted to attract specific projects.

Taxation in Barcelona is often perceived to be especially high, especially in income taxes for executives. Under Spanish law, it is not possible to provide executives with compensation in the form of stock options. This restriction is seen as a drawback when it comes to attracting top-tier talent compared to other regions. Implementing a more appealing tax system for senior talent would enhance the ability to attract talent and secure more strategic business operations.

The increase in rental costs in Barcelona has always been a concern for foreign investors. Lack of space is a major problem for established companies.

B.Ways To Overcome Foreign Direct Investment Issues To Make The Region More Attractive

The judicial processes related to this issue are characterized by their slowness and high costs. Spain stands out as one of the few European nations lacking legislation that enables individuals or businesses to start on a fresh entrepreneurial journey. Barcelona should implement "fresh start" policies, including entrepreneurial support programs and innovation hubs, that seek to provide a reset for individuals and businesses. These policies enrich entrepreneurial and innovative potential among their citizens while preserving a culture of financial responsibility, keeping costs in check, and safeguarding financial stability. This modification greatly enhances entrepreneurial opportunities and expands business possibilities.

In order to enhance its status as a prime global FDI hub, Barcelona should prioritize advancing technological innovation and enhance the overall ease of living and conducting business for its residents and companies. Additionally, any sustained commitment to allocating public resources for innovation should be supported by the development of a more robust community of businesses and venture capitalists. Investing in cutting-edge technological infrastructure and digitization initiatives is crucial in fostering a business-friendly environment. By facilitating smoother processes for obtaining licenses, permits, and conducting transactions, Barcelona can attract more foreign investors and entrepreneurs. Moreover, enhancing the overall quality of life for residents and businesses involves prioritizing initiatives that promote sustainability, efficient public services, and a robust transportation network. Ensuring access to quality healthcare, education, and affordable housing can also contribute to a more attractive living environment for skilled professionals and their families, thereby supporting the growth of businesses in the region.

There are abundant opportunities to draw in more FDI projects from key countries, including the United States, the leading ICT investor in Europe, as well as India and China. Barcelona currently lags behind its primary competitors, namely London and Dublin, in terms of the presence of U.S. investment projects. To address this, promotional efforts are put in to attract projects based on their geographic origins. For instance, particular attention should be directed toward California, considering that 40% of U.S. projects in Europe originate from this state. Barcelona holds appeal as one of the preferred destinations for Europeans and the Japanese, and it possesses untapped potential to attract increased investments from emerging FDI players such as China and India.

Barcelona should prioritize enhancing its appeal to FDI from Asian-based companies and investors, particularly within the logistics, ICT, and service sectors, where the city demonstrates greater competitiveness. To achieve this, both political and commercial promotion efforts should be strategically put into place. For instance, outreach could be conducted by establishing dedicated FDI promotion agencies or offices in key Asian cities and regions, such as Singapore, Shanghai, and Tokyo. These agencies could serve as hubs for information dissemination, investment matchmaking, and building strong business relationships. Some specific promotional efforts that Barcelona could undertake include, firstly, the full utilization of online platforms. Developing a user-friendly online platform specifically tailored to Asian investors could provide comprehensive information on Barcelona's business environment, regulatory framework, incentives, and success stories of Asian companies already operating in the city. Secondly, establishing a dedicated investor service center in Barcelona can provide one-stop assistance for Asian companies navigating the regulatory landscape, obtaining permits, and setting up operations. Thirdly, there could be offerings on language and cultural training programs to ease the transition for Asian investors and their employees. This helps to enhance their understanding toward local customs and acquire language skills that can better strengthen business relationships. Lastly, there should be more emphasis on Barcelona's commitment to sustainability and corporate social responsibility ("CSR") in promotional materials. Many Asian investors are increasingly interested in environmentally and socially responsible business practices.

By strategically implementing these promotional efforts, Barcelona can enhance its appeal to Asian-based companies and investors in key sectors, fostering economic growth and strengthening international business relationships. These aspects are also essential for Barcelona to bolster its appeal as a prime destination for global FDI and solidify its position as a leading global business and technology hub.

VII. Conclusion

The current rules and regulations related to FDI could be improved to make Barcelona even more attractive to foreign investors. For instance, taxation policies could be changed. This might involve revising corporate tax rates, introducing tax breaks or exemptions for specific industries or investment types, and simplifying the tax code to reduce complexities and enhance transparency. Additionally, permit application procedures could also be streamlined by establishing a dedicated one-stop platform or department for handling investment-related applications, providing clear guidelines and timelines, and offering personalized support and guidance to investors navigating the regulatory landscape. On the whole, these changes would further increase the attractiveness of an investment in Barcelona and potentially grow the number of investors who would be willing to contribute capital to the local economy.

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