

# Preliminary Market Study for XXXXXX Business School Programmes in Spain

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## 0. Introduction

This preliminary market study aims at promoting XXXXXX Business School interests in the Spanish market (Spain, European Union). Nevertheless it is not, by any means, an exhaustive sectorial study about the Spanish undergraduate and postgraduate education sector. This is a purely operative market study, looking forward to the establishment of mutually beneficial relationships between XXXXXX Business School and reputable private and public business schools or agents in Spain.

XXXXXX Business School is the oldest business school in Rockasia and the most prestigious one. XXXXXX offers the possibility to Rockasian and International students to study Bachelor's degrees in Business from reputable British and Australian universities in Rockasia, and serves as a bridge between these foreign universities and Rockasian students.

Therefore the **main objective** of this research process is to identify suitable partners to promote and sell current Bachelors in Business programs taught at XXXXXX Business School Rockasian campuses, with special attention to the inauguration of the new XXXXXX University campus at the end of 2009. Partners are defined as Spanish providers of undergraduate and postgraduate business courses, as well as suitable specialist agents. These programs allow the possibility to obtain a British or Australian degree in Business, a qualification that facilitates business employment in Commonwealth countries. These partners could also collaborate in different manners, as providers of student exchanges; collaborating with XXXXXX' research departments; devising common programs for business students (50% in Spain, 50% in Asia), etc.

The **second objective** of this research process is to explore the interest of Spanish institutions and end consumers in Masters in Business programs with a definitely Asian flavour that may offer Spanish and/or Continental European students the possibility to study in South East Asia. These tentative pilot products could include training in the core Finance, Accounting and Corporate Law subjects of professional Commonwealth accreditations such as ACCA or CIMA, and courses in Asian languages (with special emphasis on Mandarin Chinese); Asian Business Environments (knowledge about the economic, social and political environments for business in South East Asia), as well as Asian Business Etiquette. These courses could be devised in house; this is by the different Accounting; Finance; Management; Corporate Law Departments of XXXXXX College, by prestigious Rockasian professionals or in collaboration with current partners in Britain and Australia.

The **third objective** is to shed some light on the implications of internationalisation for XXXXXX, with special attention to the Continental European market. XXXXXX is already taking the first steps in Internationalisation by offering business programs mostly to Middle East and non Rockasian Asian citizens. The first step to start an internationalisation process is to analyse markets one by one, carefully, to identify viable business opportunities, this is exactly what XXXXXX is currently doing with Spain. At present, British and Australian XXXXXX' programmes are targeted to local students, but in the future it is possible that the number of foreign students increases. This internationalisation process will probably imply organisational changes, such as the appearance of an International Departments in charge of business and cooperation with foreign entities; budgets for foreign promotion; flexibility in the design of new programmes tailored to meet foreign students expectations, such as time, length or other requirements, etc., etc.

The **structure** of this report is very simple; there is a clear division between secondary and primary research activities and the purely marketing promotion ones.

In the **research part**, after an introduction, describing research objectives, a flexible methodology to test operational hypotheses is proposed. This section is followed by the different phases of the research process.

The “Understanding the general environment” section, offers political; social, and economical secondary data information about Spain as well as the Spanish education market. “Understanding the market in Spain”, describes clearly the market that is being researched, provides information about the possible partners and agents (intermediaries) for XXXXXX current and future Masters programmes to be utilised for the promotional mailing, as well as a provisional characterisation of potential customers (end users) for these programmes or any others developed in conjunction with Spanish institutions. It also addresses any potential barriers of access to sell XXXXXX programmes in Spain or enrol Spanish students in XXXXXX courses in Rockasia, and some indications about how to select partners or agents in Spain.

The “Semi structured interviews and questionnaires” section, constitutes the essence of the primary research; defines a sample of experts that will be interviewed on the phone from Rockasia; questionnaire design, as well as a general analysis of the quantitative and qualitative data obtained from interviews and questionnaires. The contacts of this section will serve as a basis for future business opportunities for XXXXXX in Spain and will be utilised in a promotional mailing in which 100 catalogues and mails will be sent to Spanish business institutions. The “Conclusions” section contains the results of the research process and recommendations for future courses of action will be made.

The **marketing promotion part** describes practical information about future marketing in the Spanish market for business programmes, as well as the promotional mailing carried out on behalf of XXXXXX in Spain. “Preparing to work in the market” will inform about product adaptations and will offer suggestions about pricing policies for future programs, taking into account the current array of programs on offer in Spain. “Operating in the market” will list the most important international fairs related to education, as well as basic practical information to plan a prospection trip to Spain to attend Spanish Higher Education fairs as well as visiting prospective partners or agents.

In the promotional mailing section, there is a list of all those companies that will have received catalogues and brochures related to XXXXXX Business School. Some companies will also receive a brochure from the School of Hospitality as well as other sections of XXXXXX education group. Telephone calls and a plethora of promotional emails will complement the promotional effort.

## I. Methodology

The present preliminary market study utilises a coherent methodology to obtain and analyse information optimally to attain research objectives. The underlying philosophical approach of this research process is **Critical Realism**. It is considered that (Saunders 1993: pages 83-85, for points 1 and 2).

- 1) There are strong, determinant, underlying economic and political cause-effect relationships in social relations.
- 2) These cause-effect relationships are independent from the beliefs or thoughts that social actors, subject or independent from them, have about these cause-effect relationships.

Relations are independent of the opinions or perceptions that actors have about them and, it is the starting point of this research that they derived from economic and financial globalization processes.

Critical realists believe that what the senses show us as reality is the truth; objects would have an existence independent from the human mind.... But what we experience are sensations, the images of things in the real world, not the things directly, therefore our senses deceive us. There would be two ways of experiencing the world: first there is the thing itself and the sensations it conveys, and secondly the mental process that goes on sometime after the sensation meets our senses (Saunders 2007; pages 104-105).

The **research approach** would be **deductive**. This is from theory, embodied in operational hypothesis to data. We will start from a set of hypotheses, and then we will try to find some quantitative and qualitative data to try to prove them. The **research strategy** will be **exploratory**, we will try to shed some light in uncharted territory, try to find some truth on our intuitive perceptions, and therefore it is not intended to look for definite proof of the underlying hypothesis.

### **Operational Hypotheses:**

1. There is an interest in XXXXXX current undergraduate business courses taught in Asia among Spanish possible partners and agents, as mere intermediaries to sell commercial products in Spain. These courses award English and Australian qualifications to international students.
2. There is an interest in a potential East Asian style future Masters Programme that will help attain Commonwealth professional business qualifications such as ACCA and CIMA, as well as acquiring Asian languages, and-or knowledge about East Asian business environments, and-or Asian business etiquette.
3. There is an interest to collaborate with XXXXXX in the development of joint business programmes, as well as developing student's exchanges, with potential Spanish partners.

## Hypotheses justification:

- I. The operational hypotheses are based on international trade data.

Even if European countries are net investors in South East Asia, there are growing trade deficits with most Asian countries. This situation is twinned with lack of Continental European business professionals who have specialised in East Asian cum Asian business. These are the specialists in Asian business who would be able to operate subsidiaries or new European companies in Asia and help equilibrate these trade deficits (Germany and France probably experience surpluses with most Asian nations, but Spain, the UK and Italy experience huge trade deficits). Spain, very specially, experiences gigantic trade deficits with Asian nations. The products of Diaspora as well as Continental Chinese businessmen in China and South East Asia are enormously competitive in Spain. The Spanish economy simply can not cope with such a great influx of Asian merchandises in the short term.

The scale as well as the scope of trade between the EU and Asian countries, has grown substantially, a fact that sustains the idea that more European business experts will be required, a good starting point for Asian Business schools looking for profitable training niches in Continental Europe.

### Table 1

**The gigantic trade deficits of Spain with Asian nations, 2007  
(Most of them nations with key ethnic “Chinese” stakeholders”)**

	Exports	Imports	Deficit (-) /Surplus
CHINA	1.856.488	17.179.427	-15.322.939
HONG KONG	485.963	389.936	96.027
INDIA	654.272	2.010.760	-1.356.488
INDONESIA	177.510	1.488.326	-1.310.816
THAILAND	285.561	1.186.646	-901.085
MALASIA	214.923	672.213	-457.290
SINGAPUR	319.104	356.701	-37.59

### Table 2

**Spanish foreign trade, by region, 2007**

Exports	Percentage	Imports	Percentage
Europe	81.6	Europe	69.1
Africa and the Middle East	6.4	Africa and the Middle East	11.9
Latin America	4.2	Asia-Pacific	10.7
North America	3.9	Latin America	4.6
Asia-Pacific	3.4	North America	3.5
Australasia	0.6	Australasia	0.3

2. The fact most **business training is conducted in English** in Singapore, Hong Kong and Rockasia, Commonwealth countries using Commonwealth business standards, would facilitate the training of European business students in practical Accounting; Finance, Corporate law and other subjects that are quite interesting for some European corporations wishing to expand their operations in East and South East Asia. It is surprising how many Asian business students populate UK and some European universities; on the other hand, there is a very small proportion of European students in Asian universities, an absurd situation taking into account the incredible economic progress in East –South East Asian Chinese Diaspora enclaves during the last twenty years.
3. Traditionally, **business experts** related to South East Asia were trained in UK universities, but recently countries like **Spain** have attained an economic importance they did not have in the past, since it serves as a bridge between European business communities and Spanish speaking communities in North; Central and South America (500 million people, 2<sup>nd</sup> language in the US). Getting business training in South East Asia in English could be a first step to manage Asian languages and business customs in the long term. It is quite possible that other countries with very intense business links with Asia such as Germany, France or Italy may also be good markets for XXXXXX programmes.
4. **Cost and cultural experience.** Current XXXXXX programmes are very competitive in terms of price, if compared with Australian and UK courses. This is not from the perspective of fees themselves, but taking into account the very high cost of living in the UK or Spain in comparison with the high quality of life/ low cost of living ratio in Rockasia. The cultural experience for potential foreign students in Rockasia could be another reason to attract Spanish students to Rockasia. A business course in Rockasia would allow Spanish students to get into contact with the highly interesting multicultural reality of Rockasia; its food; its peoples; its way of living; as a good introduction to Asia and everything Asian.

Nowadays, in Spain everything Asian is associated, erroneously or not, as refined and exotic, and the cultural differences are such that the discovery experience is highly enjoyable. All this is complemented with the incomparable natural environment, the jungles and beaches of Rockasia.

### **Research procedure**

Two processes will be put in place to gather data to prove-refute the basic hypotheses; these will be a search of secondary data out of secondary research and primary data out of interviews and questionnaires. These processes are explained as follows:

*Secondary data, research process.*

1. Search of key secondary data about Spanish economic, political, social and cultural environments, as well as its education system, from reputable sources
2. Search of key information about potential partners and agents in Spain
3. Search of general information about the MBA markets in EU and the US.

A SWOT Analysis will be carried out to ponder the pros and cons of facing the Spanish market, from an environmental perspective, as well as the specific market situation

*Primary data, research process.*

A Questionnaire will be designed to test the operational hypotheses. Questionnaires will be submitted to a set of key Spanish managers and professors of business schools to gather primary data regarding the operational hypotheses. Then a round of telephone interviews from Rockasia will be carried out, utilising this questionnaires. Finally an interpretative analysis will be carried out to shed some light on the interview-questionnaire results.

A summary of the results of the primary and secondary data research will be presented as an environmental PEST-SWOT interpretative environmental analysis; a SWOT interpretative market analysis. The interpretative analysis of questionnaires and interviews will be summarised in the Conclusions. This will serve as basis to prove or refute provisionally the operational hypotheses:

- 1) This so called **PEST - SWOT, Environmental analysis**, is a Crawley and Canovas's hybrid creation. A "rojak" mixture of the SWOT methodology with the PEST one.
  - PEST Analysis (Political, Economic, Social, Technological (Organizational), refers to the Political, Economic, Social and Technological environments in a certain
  - In Crawley and Canovas SWOT- PEST, the "organisation" it is understood to be the whole of Spain, as a national entity. Therefore the internal Strengths and Weaknesses of Spain would be a consequence of a **static** analysis, environments as they are perceived today, out of secondary information sources. On the other hand, Opportunities and Threats are understood as those **dynamic** factors that may have a negative or positive impact in Spain's environments in the short term, directly or indirectly affecting XXXXXX business performance in Spain.
- 2) The **SWOT** Analysis for the XXXXXX organisation to the **economic sector-market** will be a standard one. Opportunities and Threats would be of an external nature to the organisation, whereas Strengths and Weaknesses are related to its internal nature

# PEST - SWOT

PEST for Political, Economic, Social, Technological (Organizational)  
 SWOT for Strengths; Weaknesses; Opportunities; Threats.

	Helpful to achieve objectives	Harmful to achieve objective
<b>Static environmental PEST factors</b>	<b>S</b> Strengths	<b>W</b> Weaknesses
<b>Dynamic environmental PEST factors</b>	<b>O</b> Opportunities	<b>T</b> Threats

## SWOT in brief

	Helpful to achieve objectives	Harmful to achieve objective
<b>Internal origin Attributes of the organization</b>	<b>S</b> Strengths	<b>W</b> Weaknesses
<b>External origin Attributes of the environment</b>	<b>O</b> Opportunities	<b>T</b> Threats

## 2. Understanding the general environment

### 2.1 Country environment

#### 2.1.1 Political factors

Spain is a developed European country, democratic and relatively stable in political terms. Political factors may influence the economic climate, but pose no threat of any kind to foreign business in Spain. Spain is safe, vibrant, middle class urban society which has been in a process of accelerated political, social and economic transformation since 1975. Spain is one of the better policed and quieter countries in Europe. Traditionally revered for its rich historic past and early twentieth century artists, Spain is one of the most decentralised countries in Europe, divided into 19 Autonomic regions with their respective governments (Madrid (capital of Spain); Catalonia (capital Barcelona); Vasque Country (capital Bilbao); Valencia (Valencia); Balearic Islands (Mallorca); Canary Islands (Tenerife); Andalucía (Seville) and Galicia (La Coruña) are, in order of importance, the most relevant for XXXXXX purposes.

As a member of the European Union and NATO, the most powerful military alliance in the Western World and the Western European Union, the defence alliance of Western EU members. Spain keeps good relations with all her partners in the EU and Northern Africa. Relations with the US are definitely set to improve after the election of Barack Obama as President of the US, as Zapatero, the Spanish President, has declared himself now and in the past as his staunch supporter. Absurd as it may seem, this will probably impact the popularity of American business and products in Spain in the short term. The Spanish Social Democratic government of Jose Luis Zapatero followed France and Germany, pulling Spanish troops out of the Iraq conflict but transferring Spanish military to Afghanistan and Lebanon. Since Spain pulled out of Iraq, other advanced nations such as Italy and Australia have followed the same policies. Zapatero's government decisions in relation to Iraq and Afghanistan, as well as his policy to appease calls for nationalist independence for Catalonia and the Vasque Country, have generated strong divisions in the Spanish society about the role of Spain in relation to US/NATO policy in the Middle East and Central Asia, as well as the present constitutional configuration of the Spanish State.

Spain is a quite modern democracy in terms of governability. The World Bank produces governability indexes taking into account five different criteria, ranking countries from 0 to 100, where "0" means the worst and "100" is the optimal score per criteria (See the following table 1, where reds and pinks indicate bad levels of governance, yellowish colours indicate intermediate scores and green ones indicate optimal performance). Spanish standards for a series of governability indicators are Spain is very acceptable. Even if they do not reach the levels of model countries such as Sweden, they equal the scores of US indicators. This is so especially in terms of government effectiveness, regulatory quality and control of corruption. Political Stability and Voice and Accountability scores go in tandem with the US, and are directly related to the Iraq war and the **"flower power NGO cum agitation" tactics** of the Socialist premier, Mr Jose Luis Rodriguez Zapatero, instrumental in his quite "postmodern" rise to power. Mr Zapatero policies to withdraw Spanish troops from Iraq found a staunch opposition in Partido Popular, the main moderate right party, a defender of Spanish agreements with the US in

Defence matters. The “Voice and Accountability” criteria score seems quite similar to the US (85% in the US versus 83% in Spain), indicating the state of political freedoms, respect for human rights, civil rights, etc.

**Table I**  
**Governability indicators in a sample of selected countries**

Governance Indicator		Sweden	US	Spain	Hong Kong	Singapore	Taiwan	Rockasia	China
Voice and Accountability	2007	96.6	85.1	83.2	64.9	35.1	68.3	31.3	5.8
	2003	98.1	84.1	89.9	56.7	47.6	76	38	8.2
	2000	99	89.4	87.5	49.5	57.2	72.6	40.4	12.5
	1998	97.6	90.9	88	46.2	56.7	73.6	43.8	10.1
Political Stability	2007	94.7	55.8	45.2	86.1	89.9	63.5	52.4	32.2
	2003	98.1	60.1	59.1	71.6	81.7	69.7	55.8	33.7
	2000	96.6	55.3	74	75	89.4	58.2	55.3	40.4
	1998	98.1	78.4	61.1	64.4	85.1	75.5	52.4	41.8
Government Effectiveness	2007	98.1	91.5	80.6	94.3	100	82.5	82.9	61.1
	2003	97.2	92.4	92.4	90	98.6	84.4	78.2	56.9
	2000	97.6	92.9	91.5	84.8	100	79.1	78.7	55
	1998	98.6	90.5	91	80.6	100	76.8	70.6	47.9
Regulatory Quality	2007	95.1	90.8	85.4	99	98.5	79.6	67	45.6
	2003	96.6	93.7	87.8	97.6	99	78	70.2	39
	2000	91.2	91.7	90.2	96.6	99.5	84.9	64.9	38.5
	1998	88.3	95.6	89.3	97.6	100	84.4	69.3	40
Rule of Law	2007	97.6	91.9	84.8	90.5	95.2	70.5	65.2	42.4
	2003	97.1	91.9	88.1	88.6	93.3	77.1	63.3	41
	2000	97.1	92.9	89	79	90	78.1	61.9	40
	1998	96.2	93.3	88.6	82.9	91.9	78.6	65.2	41
Control of Corruption	2007	98.6	91.3	84.1	92.3	96.1	70	62.3	30.9
	2003	97.6	89.8	90.3	91.3	98.5	74.3	62.6	43.2
	2000	99.5	92.7	90.3	85.9	98.5	77.7	66	47.6
	1998	99	92.7	87.9	85.9	98.5	77.2	69.4	41.7

Nevertheless, these are short term problems related to populist policies to gain votes and influence of a quite parochial character. The **United States holds an enormous military base in Rota**, a ten mille naval base shared with the Spanish navy in which virtual control of the Strait of Gibraltar is granted to the US, and therefore control of the Mediterranean. The small enclave of Gibraltar is a problem both for the UK and Spain: In the past it had strategic value, but nowadays it is mainly a fiscal paradise and tax haven for British companies, although it hosts substantial UK military potential. Two Spanish cities from the 16<sup>th</sup> century remain in African soil; Ceuta and Melilla were the centres of the Spanish nineteenth century colonial protectorate in Morocco, Northern Africa. Even if the long term intentions of Morocco, also a staunch US ally are to absorb these two cities, the clearly Spanish/strategic character of these enclaves and the policies of the Kingdom of Morocco any short to medium term tensions with Spain are unlikely.

Anti American feelings in Spain are basically of a folkloric nature, deeply rooted in the feelings of the very old, out of the defeat of Spain in 1892, when the US took control of Cuba, the Philippines and Puerto Rico, the remainders of the vast Spanish Empire and the fact that, Francisco Franco Bahamonde, the Spanish dictator, sought shelter in the US to keep his dictatorship in place. It is widely understood in Spain that the US/Spain 1950 defence agreements were instrumental for the US to gain access to Rota Naval Base in Spain and therefore control the Mediterranean naval traffic. The US were looking for an ally in the Cold War against the USSR, Franco received US protection in exchange for military bases.

**Terrorism** is limited to the Vasque Country, whose population of two million (population of Spain, 41 million) has been dwindling out of popular rejection of terrorist strategies and their effects. The Vasque is a high level political problem that does not affect the day to day life of the common man. Ninety percent of past bomb blasts are directed at members of the police, security forces and the military. However, there is substantial exaggeration from the sensationalist British press that offers a completely distorted picture of the situation. The “Vasque” problem has/had a substantially minor dimension in comparison with the “Irish” problem faced in the UK. The daily life of the Vasque Country is peaceful and very industrious; this is only an “internal consumption” problem that does not affect foreign interests in Spain. The Vasque Country and Catalonia are excellent locations to do business. The core problem behind nationalism drives is directly related to the repression of alternative cultural identities in the past. Nowadays, the practical implications of nationalistic policies in Catalonia and the Vasque Country are not very different and probably of minor significance than those operated in Canada in the French speaking Quebec. Is Spain heading for a division into smaller nation states? It will definitely depend on long term popular perceptions, whatever the nature of this possible course of events it will be a long term process.

### 2.1.2 Economic factors

The US and the EU are heading towards recession as it is proven by very low and even negative real GDP growth rates in both free trade areas. Given the current crisis situation in the West (EU and the US), **Spain** is boding slightly worse than the EU. If the negative growth rate of the EU was – 0.2% in November 2008, in a year to year basis, the Spanish negative growth rate approached -0.5%. But this numbers would be offering the **wrong impression** about what has

been one of the most vibrant economies in Europe. Spain's has been growing at a 3.6% real GDP growth rate annually during the last ten years, practically equating the US GDP growth rates. In one generation, Spain passed from having a 60% of EU's average per capita income, to boasting a very **healthy 91%**. **Spain generated one third of all the jobs created in the EU in this period and grew two and three times faster than France or Germany.**

#### The long term economic dynamics of Spain

**Spain has avoided most of the “angst” experienced in most European countries during the last ten years**, unemployment has remained relatively low. Statistics deceive, as these indicate high levels of unemployment, but this masks the fact that the Spanish “black” economy, more than 10% of GDP, is relatively unaccounted, mainly family SMEs. Besides, Spain has been able to absorb more than 4 million immigrants (around 11% of the population), mostly Latin American, in a 10 year period, smoothly, without generating obvious racist tensions. High rates of unemployment coexist with high levels of income and immigrant employment in deprived areas, a measure of the tolerance in highly delicate situations. Spain boasts one of the highest rates of immigrant population in the EU. Unemployment is, definitely, the black spot in the Spanish landscape, as there are structural reasons directly related to the weight of the public sector in the Spanish economy, considerably larger than in Australia or the US.

The fruits of one the longest periods of uninterrupted economic growth in Spain have been a very strong and well capitalised banking system, better at weathering the financial crisis from October 2008 than other European countries, and even capable of profiting from it by acquiring international banks affected by the subprime mortgages crisis (Bradford & Bingley acquired by Santander Group). Other positive indicators are the net investor/debtor position of Spain; its network of international investments, as well as the very low government debt / GDP ratio, all of which preclude a bright future from the public/private financial spheres.

Interest rates are fixed by the EU Central bank, Spain utilises the Euro, the national currency of most European countries, including France, Germany, Italy, Holland and Belgium, the main markets of the EU. Recently, Spain's debt rating has been downgraded by international agencies, concerned with the growing fiscal deficit, unemployment and the large foreign trade deficit... In the current turmoil of international financial markets, taking into account violent swings in exchange rates and a plethora of international bankruptcies in the banking sector, **Spain is, relatively, a stable country.** The finances of the Kingdom of Spain are also in relative good shape if compared with most EU nations, as the public debt / GDP ratio is one of the lowest in the EU. This offers a good margin for expansionist public spending anti cyclical economic policies to cope with an international recession focused in the developed OECD world. Any interest rate changes having a potential impact on the Spanish economy are directly related to the ECB (European Central Bank), as the Euro is the Spanish currency. In a short term environment of an overvalued Euro and financial crisis, the outlook is that interest rates will probably fall and this will push up national family consumption demand by boosting short term real family incomes (cheaper mortgages, cheaper credit cards and consumer credit). Once Euro interest rates are down, this may have an impact in the international exchanges rates, making Spanish and European exports more competitive and correcting the high trade deficit of Spain and other European nations. A combination of an increased internal consumer demand and public spending, twinned with a possible increase of exports thanks to a possible fall of the Euro exchange rate, may have very beneficial effects on the Spanish economy.

Recent problems may intensify in the next two years giving way to painful reforms in the corporative public sector and promising export sector. Economic growth rates will probably be

in line with the EU average or even below the EU in the short term. However, in the **long term Spain seems a safe bet for business opportunities**, there is still plenty of margin for growth and the Spanish business culture is much less sterile than that of their EU counterparts. Spain has been able to produce astounding successes in the corporate sector profiting first from investment in Latin America and, second, by reinvesting profits in the EU area. The link between Spain and most Latin American countries in the FDI domain is extremely important for the Spanish economy, as Spain has become the platform for EU companies wanting to do business in Spanish/Portuguese speaking countries. An expected improvement in US/Spain relations may bode well for the protection of EU/Spanish interests in this key strategic regional area.

#### Recession time

Most of the fall in GDP growth is a consequence of an oversupply of quality Real Estate in the country, four million quality apartments and houses were vacant as in November 2008, and 800.000 new units were built in 2007. In this period the UK was only capable of producing 25.000 units for a population of 60 million (more than 25% larger than the Spanish population from 40 to 45 million). So a certain painful short term adjustment, similar to the one operated in the US Real Estate market is expected: There will be a transition from a labour intensive economic model based on tourism, real estate, hospitality services, etc., which is well appreciated by Northern Europeans who are avid buyers of Spanish properties, to a much more capital, technology management, and value added products and services intensive model. Most Spaniards own their own houses, and affluent Spaniards even absurdly “collect” them as a sign of class status, an acute national problem given the disparities between wages and Real Estate prices for those in the lower income brackets, the current crisis may very possibly have already “adjusted” the market fast, given the minimal numbers of house upstarts in late 2008. According to Euromonitor, Real Estate Prices will fall about a third in the medium term.

Most doubts about the long term economic and political stability of Spain are purely political. Clouds hang over the ability of the Social Democratic government of Mr Jose Luis Rodriguez Zapatero to implement the necessary measures to improve Spanish competitiveness at a fast enough pace, and to expand the Spanish export base, thus accelerating the transition from an internal demand driven economy into a fully internationalised one.

The large trade deficits of Spain in the last five years are proof of its phenomenal economic success; Spain has been utilising imports and resources way ahead of its short term possibilities to repay them. But the **highly negative trade balance situation hides an extremely competitive private export sector**, whose might may show after an expected Euro depreciation. If the Euro, as expected, goes down in value, the Spanish economy may become more competitive than those of her EU competitors, as shown by historic elasticity rates of exports in relation to exchange rates fluctuations. This reasoning may not hold in the medium term, but shows the link between the large Spanish trade balance deficits and **the strength of the Euro that affects most low to middle intensity technology sectors in Spain.**

Spain depends heavily in imported energy, this is another of the key weakness of the Spanish economic model, but given the current recession, with petrol prices hovering between 40-50 US dollars, the short term prospects for an energy price induced economic crisis are severely curtailed. Petrol prices explain most of the massive trade deficit in 2007-2008. However, among the sorest points in the Spanish economic scenario is the **growing penetration of foreign quality products** as well as a relative loss of international competitiveness. China and Eastern European countries are fierce competitors and denting Spanish competitiveness. These situations combined with structural deficiencies in tourism do not fare well for traditional export sectors.

According to Euromonitor the solution lies in going up the value chain in all traditional sectors. This scenario suggests that it will be **necessary to invest heavily in education** and R & D.

### 2.1.3 Social, Cultural and Demographic factors

#### Spanish social patterns

Spain has experienced an unusually fast transformation from an authoritarian, mostly Catholic society into a relatively **liberal, “live and let live”, society**, quite open to new tendencies and fashions. Superficially, Spain is one of the most liberal countries in Europe in terms of drugs consumption, personal freedoms and civil rights, etc. ...But on a deeper level, basic institutions such as political parties; the family and extended/informal networks through traditional institutions play a very important role in Spanish lives. A very individualistic, natural distrust of anything coming from the government has been matched by the appearance of a large Welfare State, modelled on the EU system, increasing the role of government in day to day lives and clashing with traditional values of self reliance. Spain has been one of first countries to institutionalise homosexual marriage and has advanced exponentially in terms of care of the old, the deprived, women’s rights and ethnic or cultural minorities. On the other hand, Spain still keeps a large conservative Catholic minority that has an enormous influence in rural areas and business affairs.

Spain relies on an extensive middle class out of a plethora of SMEs and the completely secure, relatively well paid jobs in the public sector, a consequence of the open competition system that, on the one hand allows poor members of society to go fast up in the social ladder (it is not rare that the son of a bus driver ends up becoming a diplomat) but, on the other, permits the persistence of massive situations of petty corruption in the allocation of positions and the misallocation of public resources. **“Funcionarios” or civil servants**, enjoy a secure, hassle free existence, as opposed to those working for the very competitive private sector, who work unusually long hours to earn a living. Even if the primary and secondary segments of the Spanish education system seem to be deteriorating in terms of quality, Spain has one of the highest proportions of tertiary education students and degree holders in the world. In Spain, free education and quality health care are provided for anyone from cradle to grave. Poverty rates in Spain are similar to those of other EU countries, the main cultural differences reside in the fact that there is no “stigma” attached to poverty nor the tight social barriers to social mobility that characterise countries such as France, Italy and especially the UK. However, according to Euromonitor there is a much more traditional environment in terms of social mobility of executives at the top of corporations. CEOs and MDs in Spain are unusually mature, relatively older than their EU counterparts; this is a consequence of certain conservatism in the highest echelons of the corporate world.

The environment is one of those grey areas in which there is general consensus, as proven by quite **substantial improvements in environmental conservation**. Spanish relies on an extensive network of National Parks or “Parques Nacionales” to preserve one of the most interesting European natural heritages, Spain contains 25% of all wild forests in the European Union. On the other hand, pseudoscientific messages related to environmental problems such as Al Gore’s post vice-presidential exaggerated predictions, tend to be extremely popular among uninformed voters. There is a growing and effective high level preoccupation cum increasing regulation to protect the environment. However, Spain is way behind other countries such as Germany and France in this respect, despite the fact that Spain has been in the forefront of many aspects of the “green revolution”. From 1987 until 2007, Spanish deprived areas were among the largest recipients of EU Aid for environmental preservation projects (European Social Fund,

FEDER, FEOGA, IFOP, etc.). Excluding the Vasque Country, Catalonia and some other rich enclaves in central and coastal Spain, most of Spain has experienced a rapid transition from an agriculturally based economic and social structure, into one dominated by services. This transformation has taken place without going through industrialization phases in more than two thirds of the country. Therefore, the Spanish ecological systems are among the least affected by massive industrialisation in the EU. The sociological impacts of these phenomena are reflected in the national culture.

### Spanish history and culture

Most of Spaniards have never been subject to the tight, social class divisions of a bourgeois European industrial society or its environmental effects. This situation is reflected in the superficially egalitarian character of the Spanish peoples, as well as the importance of community values and complete respect for the underdog. This fact that, combined with the **traditional cultural links between Spain and Spanish speaking ex colonies in the Americas**, marks the national character in a quite distinct manner, differentiating it from other European cultures. The South experienced intense Arab/Jewish Mediterranean influences in the past, even if practising Jews (1492) and Muslims (1640s) were expelled from Spanish soil in the distant past. Therefore, Spain's official religion is Catholicism but, nowadays, the truth is that most people do not care much about religion anymore.

“Siesta” and “Fiesta” are simply, patronising oversimplifications of the nature of the Spanish customs, quite popular among Anglo Saxons and Northern Europeans, to intentionally ridicule the image of the Spanish. In Spain, people on average works harder and longer hours than in most of Continental Europe and wages are lower than in the richest countries in the EU such as Holland or Germany. “Siesta” or “nap” in English is logically justifiable, especially if you have to suffer the 40-5 degrees in the dry Southern plains in the middle of summer. “Siesta” is also popular because most of Spain still works 9 to 2 and 5 to 9, Spain enjoys excellent weather and plenty of sunlight (in many areas it simply does not rain), so two hours in the midday allow for eating together with family and having a short “siesta” during the hottest hours of the day. “Fiesta” is something quintessentially Spanish, helped by the weather, as most of the year it is neither hot nor cold. It implies people do not rely so much on the TV or Internet for entertainment, as social interaction is essential in Spain. Drinking and eating communally is the tradition, people normally do not commute long hours to their jobs or use their cars to commute. Thanks to the largest network of toll free roads in the European Union; good public transport and good urban planning (city centres are pedestrianised and in most cities everything is accessible by foot), there is an excellent quality of live. Food and drink are cheap and plentiful in lots of small bars, the equivalent of Rockasian stalls.

Spain is a country of contrasts, urban versus rural, young versus old; boasting quite varied and even different cultures, as a consequence of a mountainous and rugged geography as well as international migrations. The north experienced an intense influence of the Germanic and Celtic elements in the Iberian/Roman ethnic elements dominating ancient Spain, as Spain was the most important possession of the Roman Empire. Its citizens were the first members of Empire to attain citizenship status, and even to supply Roman emperors, such as Hadrian and Trajan, Spanish emperors from Hispalis, in the Spanish Bética region. Spain is an old country; much older than Scandinavian countries or the UK. Arabs invaded Spain and were repelled and substantial Jew communities settled in Spain and were also expelled. There are also vestiges of the ancient settlements out of Viking/ Norman raids in the Middle Ages along Spanish coasts. In the sixteenth century influences came from the vast Spanish Empire, especially from colonies in Iberoamerica (Spanish & Portuguese speaking). Seville in the South was the most important city

in Spain during the colonial American and Asian empire period. In the nineteenth century Catalonia experienced an intense French business presence and the Vasque Country experience a substantial UK influence. The Vasque country initiated industrialization processes based on iron and coal, as did their British counterparts, the Catalonian industrialization, influenced by the French was initially based on textiles and luxury items.

Population:     
40,491,052 (July 2008 est.)

Age structure:    
0-14 years: 14.4% (male 3,011,815/female 2,832,788)  
15-64 years: 67.6% (male 13,741,493/female 13,641,914)  
65 years and over: 17.9% (male 3,031,597/female 4,231,444) (2008 est.)

Median age:    
total: 40.7 years  
male: 39.3 years  
female: 42.1 years (2008 est.)

Population growth    
rate: 0.096% (2008 est.)

Birth rate:     
9.87 births/1,000 population (2008 est.)

Death rate:     
9.9 deaths/1,000 population (2008 est.)

Net migration rate:     
0.99 migrant(s)/1,000 population (2008 est.)

Sex ratio:    
at birth: 1.07 male(s)/female  
under 15 years: 1.06 male(s)/female  
15-64 years: 1.01 male(s)/female  
65 years and over: 0.72 male(s)/female  
total population: 0.96 male(s)/female (2008 est.)

Infant mortality rate:     
total: 4.26 deaths/1,000 live births  
male: 4.65 deaths/1,000 live births  
female: 3.85 deaths/1,000 live births (2008 est.)

Life expectancy at     
birth: total population: 79.92 years  
male: 76.6 years  
female: 83.45 years (2008 est.)

Total fertility rate:     
1.3 children born/woman (2008 est.)

### Immigration

The **traditional low birth rates** among Spaniard couples have been countered with an increasing immigrant population. Immigration, overwhelmingly urban, is a double edged sword in Spain:

On the one hand it has contributed to the very high GDP growth rates in Spain in the short term. This **massive influx of immigrants, mainly from the Americas, has rejuvenated the population** and helped to balance and even produced surpluses in the Social Security national accounts, injecting massive doses of valuable Human Capital. It has provided human capital to care for the elderly in an ageing population, providing the cheap labour required by the Spanish Social Welfare Services. Besides, it has provided labour for other low skilled professions: An army of cleaners; bartenders; nurses; medics, pensioner carers, etc., has configured a very specific and younger demographic landscape, quite different from other EU countries that also have to cope with similar demographic problems. Immigration offers a respite for the Spanish economy in the long term population decline projections for Spain and the EU as a whole. Besides, immigration means a new batch of consumers of essential products, new niche markets to explore and develop, as well as ties to Latin American countries and businesses.

On the other hand, **immigration is causing short term distortions** in Real Estate rental, prices, labour and public services markets. An overabundance of relatively unskilled immigrants crowds out Spaniard nationals from congested public services. Immigrants compete with the less affluent Spaniards for places in schools, hospital beds and jobs, congesting public services and pushing down real wages for the unskilled, creating an artificial overabundance of cheap labour, delaying moves towards a more capital intensive economic model. The relatively naïve NGO style Social Democratic immigration policy of the past, is giving way to more modern, national interest based policies to cope with the uncontrolled massive influx of immigrants into Spain. The wrong signals offered during the first months of the Zapatero Administration created the “efecto llamada”, it made immigrants aware of Spanish laxitude in terms of controls and restrictions to gain Spanish work permits. Spain needed young, aspiring workers and got them, very unfortunately in disproportionate numbers. This situation may give birth to long term racial tensions and xenophobia, albeit the nature of the Spanish society, historically a country of “emigrants” (millions of Spaniards worked in Switzerland, Germany, Latin America or France) in the past), as well as traditional Spanish notions of community and personal dignity, may retard and even dilute these pressures. There is a national consensus about the necessary tightening of Immigration policy; the conservative opposition has very clear plans in this respect.

Therefore, immigration is a key factor to understand Spanish political and economic environments. Immigration is fundamentally Latin American (mostly from Ecuador, Colombia, Peru, albeit there is a substantial Argentinean community in Spain); Europe (mostly Rumanian and Polish); the Northern African Maghreb (mostly Morocco). The fact that Muslim immigrants from Northern Africa are a minority in relation to Latin American and European immigrants, define different scenarios, in relation to other EU countries like France, Holland and specially the UK, where tensions with Muslim communities are part of daily life. In comparison with these turbulent societies, Spain’s race relations have been operating smoothly in the short term. Spain’s colonial past is buried in two hundred years of history, whereas French, British or Dutch colonialism is a very recent phenomenon, impregnating Northern European protestant societies with colonial racist notions. Besides, immigration is a relatively new phenomenon in Spain, in the early 90s immigrants in Spain amounted a few hundred thousands, whereas lately it is millions.

The Spanish Empire lost its American colonies 182 years ago and, its most important ones, in 1826. Therefore there are **no substantial traces of the typically “colonial” culture of countries such as France, the UK, Portugal or Holland**, among Spaniards in relation to citizens of developing countries. Nevertheless, in the long term tensions between nominally Christian and small Muslim communities could be expected, especially in the South of Spain. It

has been proven that Moroccan citizens were behind the Al Qaeda bomb blasts in Madrid in 2004 that killed one hundred and ninety two people in the trains of Madrid's commuting rail network, and there was some communal aggression against Moroccan Muslims in the South of Spain in El Ejido, the labourers that work very hard in the thousands of greenhouses populating the fringes of Almeria province dessert.

In addition to the "immigrant" population, there is a growing Western European immigrant pensioner community, mostly from the UK, Germany and France that has established itself in Spain to benefit from social quality of life; the weather; the low cost of living and value for money quality Real Estate. This is a diverse group including people from all walks of life, from the near destitute to the moderately well off, who are playing a growing part in the political and social landscape of mostly Mediterranean locations. This group is also an interesting source of marketing opportunities, as well as being avid consumers of Spanish quality services.

## 2.2 The Spanish Education System

### 2.2.1 Education, from kindergarten to PhD

END OF SAMPLE