AmChamSpain’s 25 Proposals for a More Competitive, Productive and International Economy in Spain in the Coming Decade

Cámara de Comercio de EE. UU. en España
## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction to the Second Edition</td>
<td>07</td>
</tr>
<tr>
<td>1 Foreword</td>
<td>08</td>
</tr>
<tr>
<td>2 Building up Confidence by Promoting Competitiveness, Productivity</td>
<td>10</td>
</tr>
<tr>
<td>and Internationalization in the Spanish Economy</td>
<td></td>
</tr>
<tr>
<td>3 Recommendations to Increase Competitiveness, Productivity and</td>
<td>12</td>
</tr>
<tr>
<td>Internationalization in the Spanish Economy</td>
<td></td>
</tr>
<tr>
<td>Country Environment</td>
<td>12</td>
</tr>
<tr>
<td>Business Environment</td>
<td>14</td>
</tr>
<tr>
<td>Education</td>
<td>18</td>
</tr>
<tr>
<td>R&amp;D/I</td>
<td>20</td>
</tr>
<tr>
<td>Annex I Spain’s Economy in the Last Thirty Years: Strengths and</td>
<td>23</td>
</tr>
<tr>
<td>Weaknesses</td>
<td></td>
</tr>
<tr>
<td>Spain: A Success Story</td>
<td>23</td>
</tr>
<tr>
<td>Spain and the Current Economic and Financial Crisis</td>
<td>24</td>
</tr>
<tr>
<td>Annex II Spain in Global Economic Rankings</td>
<td>28</td>
</tr>
<tr>
<td>Global Competitiveness Report 2013-2014 (WEF)</td>
<td>28</td>
</tr>
<tr>
<td>Doing Business 2014 (IFC, World Bank)</td>
<td>30</td>
</tr>
<tr>
<td>PISA 2009 Report (OECD)</td>
<td>30</td>
</tr>
<tr>
<td>Annex III Europe 2020, Setting the Direction for the Future</td>
<td>31</td>
</tr>
<tr>
<td>References</td>
<td>32</td>
</tr>
</tbody>
</table>

Printing courtesy of:

xerox
Governing Board

President
Mr. Jaime Malet, President, TELAM

Vice-presidents
Mr. Alejandro Beltran, Managing Partner, MCKINSEY & COMPANY
Mr. Jordi Botifoll, Senior Vice-President, CISCO SYSTEMS
Mr. Daniel Carreño, President, GENERAL ELECTRIC INTERNATIONAL
Mr. Luis Isasi, President and Country Head, MORGAN STANLEY
Mr. Alfonso Libano Daurella, CEO, EQUATORIAL COCA-COLA BOTTLING CO.
Mr. Alvaro Mengotti, Iberia General Manager, AIG EUROPE
Mr. Javier Monzon, President, INDRA

Board Members
Ms. Esther Alcocer, President, FCC
Ms. Paloma Beamonte, President and CEO, XEROX SPAIN
Mr. Jose Ramon Camino de Miguel, President, ALCOA
Mr. Demetrio Carceller, CEO, DAMM GROUP
Mr. Daniel Carrera, Director General, Spain and Portugal, UPS
Ms. Eva Castillo, CEO, Telefonica Europe, TELEFONICA
Ms. Maria Garaña, President, MICROSOFT
Mr. Ignacio Gutierrez-Orrantia, Head of Southern Europe, CITIGROUP GLOBAL MARKETS
Ms. Helena Herrero, President, HEWLETT PACKARD
Mr. Jorge Lopez, Managing Director, Spain and Portugal, 3M
Ms. Marta Martinez, President, IBM
Mr. Jon Riberas, President, GONVARRI GROUP
Ms. Elvira Sanz, President, PFIZER
Mr. Javier Targhetta, President, ATLANTIC COPPER
Ms. Carmen Valera, President, Spain, BURSON-MARSTELLER
Mr. Roland Wandeler, CEO, Iberia, AMGEN

VP and Treasurer
Mr. Brian O’Hare, Managing Partner, CLAIRFIELD CORPORATE FINANCE

Board Member and Secretary
Mr. Luis Ruiz, Associate Director, AXIS CORPORATE
AMCHAMSPAIN’s Committees

Advocacy
Mr. Daniel Carreño (GENERAL ELECTRIC, Chair)
Mr. Alejandro Beltran (MCKINSEY, Deputy Chair)

Digital Economy
Ms. Marta Martinez (IBM, Chair)

Energy & Sustainability
Mr. Jorge Lopez (3M, Chair)
Mr. Antonio Hernandez (KPMG, Deputy Chair)

Foreign Direct Investment
Ms. Helena Herrero (HEWLETT PACKARD, Co-Chair)
Mr. Javier Targhetta (ATLANTIC COPPER, Co-Chair)

Human Resources
Ms. Paloma Beamonte (XEROX, Chair)
Mr. Iñigo Sagardoy (SAGARDOY ABOGADOS, Deputy Chair)

International Business
Ms. Maria Garaña (MICROSOFT, Chair)
Mr. Daniel Carrera (UPS, Deputy Chair)

Intellectual Property Rights & Innovation
Mr. Roland Wandeler (AMGEN, Chair)
Mr. Juan Angulo (WARNER BROS., Co-Deputy Chair)
Ms. Barbara Navarro (GOOGLE, Co-Deputy Chair)

Membership
Mr. Alvaro Mengotti (AIG, Chair)

Tax
Ms. Alicia Sotillo (GENERAL ELECTRIC, Co-Chair)
Mr. Manuel Docavo (3M, Co-Chair)
Mr. Jose Mª Vallejo (BBVA, Deputy Chair)

Women in Leadership
Ms. Elvira Sanz (PZIFER, Chair)
Ms. Susan Solomont (Honorary Chair)
In November 2010, when the American Chamber of Commerce in Spain (AmChamSpain) published the first edition of Spain 2020: AmChamSpain’s 25 Proposals for a More Competitive, Productive and International Economy in Spain in the Coming Decade, we pointed out that the report was not intended to be a thorough and comprehensive catalog of measures to be taken, but rather a compendium of the 25 measures we deemed as most relevant, urgent and feasible at that time to turn Spain, if implemented in the short term, in a much more competitive, productive and international country in the coming decade.

Spain 2020 was born with the aim of being an analytical contribution to the reflection process on measures to be implemented to overcome the economic crisis –outlined below. However, its main objective is to become a roadmap for the hard work ahead, including analysis and specific actions to be undertaken by AmChamSpain in times to come.

Three years later, we believe that our dual goal has been far more than fulfilled. On one hand, many of the measures outlined in our original report have been implemented or are in the process of being implemented. On the other hand, continued concrete advocacy actions of the various Chamber’s committees and internal bodies have taken the first edition of Spain 2020 as a reference and leitmotif.

Despite all this, at AmChamSpain we believe that the current situation still requires huge doses of reflection both on the model of the country’s medium to long-term socioeconomic structure, and on measures that should continue to be taken to put the country back as soon as possible on the growth path. In addition, over the last three years, many public and private partners to which the original report was intended are no longer there.

Therefore, a few months ago, the Governing Board of the Chamber decided to entrust a Second Edition of Spain 2020 to the Advocacy Committee. In the present edition, content has been updated, and new relevant contents in this new era have been added.

Since its founding in 1917, AmChamSpain has been producing reports on the analysis of the Spanish and global economic situation with precise recommendations for improving the socioeconomic environment. We, AmChamSpain members, including multinational companies and SMEs, both American and Spanish, have a clear commitment to Spain. Our turnover in Spain amounts to more than 24% of Spanish GDP, and we create over a million jobs in the country. We want the economy to grow moving towards a more sustainable production model, and we are convinced that with the past collective will we will be able to overcome the crisis and put us back on a solid growth path that allows us to achieve again high levels of prosperity and welfare.
Foreword

The collective effort has allowed Spain to reach levels of economic, political and human development that were unthinkable just thirty years ago. Undoubtedly, the country knew how to efficiently take advantage of opportunities from the international community as well as of those derived from their adhesion to the European Integration Project.

Despite the current economic crisis –unusually long and complicated–, the progress of the country as a whole from the 80s until now can be verified in many different areas, especially in growth rates of GDP well above the average of developed countries. Between 2000 and 2008, Spain showed a 31% nominal GDP growth, a unique case within large Western economies, falling 5 points from that year until 2012.

However, after five years of sharp crisis, this great collective success is being forgotten, both by Spanish society and global public opinion, and may vanish entirely like a sweet dream of youth if the Spanish economy remains stagnant for years in a Japan-style crisis, with weak or no growth at all. At the time of publication of the second edition of Spain 2020 (November 2013), there is some consensus on the fact that Spain has bottomed out; however, the challenge is not to come out of the crisis and leave recession behind, but emerge from the crisis strengthened in order to be able to overcome the two cardinal sins of the Spanish economy: massive unemployment, and excessive public and private leverage.

The American Chamber of Commerce in Spain (AmChamSpain) is a leading Spanish business institution. Since its founding in 1917, we have been promoting bilateral business relations between Spain and the U.S. We have been trying to add value to both the significant American investment in Spain –now representing the main installed foreign investment– and the more recent but highly important investment of Spanish companies in the U.S. Chamber’s members, including multinational companies and SMEs, both American and Spanish, have now an aggregate turnover in Spain that amounts to more than 24% of Spanish GDP, and create over a million jobs in the country. On the other hand, AmChamSpain is affiliated with the main network of business associations in the world, the U.S. Chamber of Commerce, with affiliates located in 113 countries, and headquartered in Washington D.C.

Due to our national and international positioning, which give us some benchmarking capability, at AmChamSpain we can contribute much to the discussion process on economic reforms in Spain. This document is not intended as a comprehensive analysis of recommendations. On the contrary, it is a roadmap outlining 25 proposals grouped into four areas: country environment, business environment, education and R&D/I; advocacy tasks carried out by different Chamber’s committees and internal bodies are focused on these areas.
Foreword

At AmChamSpain we recognize the enormous effort made in recent times to undertake measures, many of which are difficult to explain to citizens. We also welcome the great majority of them, which we consider to be well on track. However, we should not forget that much remains to be done. Only by understanding the greatness of the challenge and the magnitude of the task already started, a new version of the country can be envisioned. At AmChamSpain we envision a more competitive, productive and internationalized Spain. We firmly believe that the joint efforts of the Government, all Administrations, political parties, employers and social partners, opinion leaders, and society as a whole will allow to repeat the success of the last thirty years, and make Spain one of 10 world’s most competitive economies. Measures presented in this document are intended to this purpose.
Since the outbreak of the crisis in 2008, the economic and financial situation in Spain has led to the stagnation and decline of main growth drivers. With unemployment rate surpassing 26% of the active population, and a huge household debt –above 80% of GDP– incurred during the last years of the growth cycle, private consumption has shown a clear contraction, and forecasts agree that it will remain relatively stagnant in the coming years.

Gross capital formation in the private sector has shown similar signs of weakening upon suffering a severe collapse, related to the huge housing stock for sale (more than a million, according to some sources) and to excessive household and firm leverage (about 100% of GDP), which makes Spain, despite a slight improvement in recent months, one of the economies with the highest levels of household debt in the world. Despite being also experiencing a marked improvement, acquisition of capital goods by companies does not seem a viable main driver of growth, due to the lack of credit and capital shortages. In addition, most Spanish companies invested more than necessary in the good times, and they still have excess installed capacity.

On the other hand, both public investment and government spending are also undergoing a long contraction process. Spain has gone from enviable figures both in public debt (36.3% of GDP in 2007) and government spending (budget surplus of 1.9% in 2007) to a public debt that will exceed 92% of GDP in 2013, and a budget deficit that, after reaching 11.2% of GDP in 2009, has been painstakingly declining to 7% of GDP in 2012 (excluding aid granted to banks), and provided forecasts prove to be true, to 6.5% in 2013. In this situation, due both to the pressure of markets and the EU itself, there is virtually no real chance of implementing an expansionary fiscal policy to revive the Spanish economy.

At AmChamSpain we believe that we need to keep improving competitiveness, productivity and internationalization ratios in the Spanish economy in order to get Spain out of the crisis and regain confidence. Improving these ratios will eventually reactivate credit for the entire economy, promote job creation, and be the main argument for promoting Spain as investment destination. And in the medium term, it will generate the necessary confidence to stimulate consumption and investment of households and firms, and to channel existing energies in the country to a new production model.

Spain has an important, highly diversified export industry, with outstanding industries such as capital goods, food, chemicals and automotive industries, as well as outstanding services (tourism, transportation, communications). In a context of economic crisis in Europe and credit crunch, Spanish exports of goods and services increased by up to 31% of GDP in 2012, with a contribution of our foreign sector to GDP growth of 2.4% in that year. Thus, the situation in Spain has shifted from a huge current account deficit –unique in the OECD (along with the U.S.)–, which reached 10.1% of GDP in 2007, to a potential surplus in
2

Building up Confidence by Promoting Competitiveness, Productivity and Internationalization in the Spanish Economy

2013, for the first time in recent history. Contrary to common belief, Spanish export growth has not only been related to cost reductions due to lower unit labor costs, but also to the quality of products exported from Spain, which make them attractive in global markets.

Nevertheless, the consolidation of this trend is not without risks and, above all, has room for improvement. On one hand, the foreign sector’s contribution to GDP in other competitor countries is higher (for example, the foreign sector represents 45% of GDP in Germany, and 87% in the Netherlands, compared to 31% in Spain). On the other hand, there is a small number of exporting firms based in Spain (136,973 companies according to ICEX), accounting for just over 10% of Spanish firms, with more than 60% of exports concentrated only among 1,000 large firms. There is also a limited number of industrial companies with export potential, which have significantly declined during the crisis (there has been a shift in industrial sector from 15% in 2008 to 10% in 2013, compared to 18% on average in the EU). Furthermore, most of the export of goods is concentrated in a few markets, especially in the EU (63% in Germany, France and the United Kingdom), and despite a remarkable improvement, it is still very low in growing markets (U.S., China, India, Brazil, Mexico, etc.). Finally, the important contribution of tourism to the foreign sector (10% of GDP) has been maintained due more to cyclical reasons (alternative market crash in the Mediterranean region due to political and social crises) than to structural reasons, and it depends, also in excess, of the same European source markets Spanish exports are intended for.

In this new version of the country, called SPAIN 2020, Spain must consolidate, improve and strengthen this trend and become one of the main exporting economies among developed countries.

In order to achieve this, Spanish goods and services need to be competitive in international markets. Competitiveness can be driven only by bringing down costs and/or increasing productivity. Due to our attachment to the Euro, cost reduction cannot be achieved as before by currency devaluations (1977, 1982 and 1993). However, cost reduction can indeed be achieved through further liberalization of the entire Spanish economy (basically by causing a price reduction in services operated), and in particular through greater labor market flexibility. In terms of efficiency, increased productivity should be based on longer-term measures such as those outlined in this paper: improved education, increased support for R&D/I, reduced business taxation, implementation of ICT solutions, promotion of a dynamic and competitive industrial policy focusing efforts on sectors with high growth potential, investment in new economic sectors, increased average size of Spanish SMEs, etc.

Finally, asset prices have been declining in recent years as country risk increased and supply was reduced. In this context, Spain is slowly becoming attractive again to foreign investment. If implemented, many of the measures outlined in this report should focus on Spain’s ability to attract massive quality investment, as in the past.
Recommendations to Increase Competitiveness, Productivity and Internationalization in the Spanish Economy

Structural reforms outlined below will allow the Spanish economy to lay the foundations of a new production model and increase its growth potential. Even though many measures aimed at achieving those goals have recently been taken, it is obvious that there is still a long way to go. Continuity and appropriate implementation of those measures will influence Spain’s ability to face major future challenges, such as globalization and consolidation of new competitors, population ageing, and the maintenance of the welfare state.

Country Environment

According to the Global Competitiveness Index 2013-2014, Spain ranks 145th (out of 148 countries surveyed) in terms of “public deficit,” and 113th for “inefficiency in public spending.”

In the past, budgetary discipline led to large revenues in the Spanish economy as a whole. After a period of fiscal expansion previous to the outbreak of the crisis, when fiscal deficit exceeded 11.2% of GDP, the Government and other public authorities should continue their efforts to balance public accounts as soon as possible, as there is still an imbalance accounting for 7% of GDP.

In the context of public spending restraints, there are several elements that make it more difficult to achieve a balanced budget: (i) financial costs resulting from higher debt levels and increasing service costs, ii) unemployment benefits reaching historic highs, and (iii) pensions and social healthcare costs related to population ageing and increased life expectancy.

In addition to balancing public accounts, completing the financial sector reform that is still underway will be essential to clear one of the biggest concerns of the international community on Spain and to restore access to credit for the private sector. In the Global Competitiveness Index 2013-2014, Spain is ranked 138th in terms of the “ease of access to loans” and 127th (out of 148 countries surveyed) for “soundness of banks.”

At country level, AmChamSpain proposes:

1. The balance of public accounts, in accordance with the provisions of the Organic Law on Budgetary Stability and Financial Sustainability, must remain a priority for all public authorities in order to restore foreign market confidence in the Spanish economy. As a result of the dwindling number of taxpayers, Spain is now one of the OECD countries with higher tax effort (a ratio between per capita income and tax collection). Therefore, fiscal consolidation should not rely on higher tax increases, which discourage economic activity, and relocate capital and talent, but on public spending cuts, including further optimization in the management of social benefits.
02 The streamlining of the Public Administration should bring in a structure that avoids duplication, advocating for the centralization or final decentralization of powers in cases where it is more cost-effective, also eliminating territorial or central bodies with little operational capacity. This should be accompanied by an accurate analysis on the appropriate number of civil servants for each activity, as well as by the implementation of mechanisms that promote flexibility and productivity in the public service, implementing concepts such as performance-related pay and promoting meritocracy. The recently created Directorate of Information and Communication Technology should be adequately empowered and have appropriate resources to coordinate analog process re-engineering as well as the implementation of eGovernment with shared, interoperable digital platforms and solutions including features such as high-performance cyber-security and massive data analysis, following the U.S. Chief Information Officer example.

03 A rigorous ex-ante and ex-post assessment of the efficiency of public spending in all programs, reinforcing the discipline, transparency and austerity required for public resource management, and at all levels of Government. A thorough reform of audit authorities in charge of public expenditure should be undertaken, as they should be totally independent of political power, and incorporate private sector practices as to methodology and deadlines. Public tenders should avoid merely economic assessment criteria, promoting the most efficient solutions and innovative purchasing practices. In addition, management processes should be outsourced, and shared or network service centers should be created. Finally, loss-making publicly owned enterprises should be liquidated or sold.

04 The reform of the pension system should be undertaken as soon as possible, because demographic developments have resulted in the inability to keep offering current benefits. In this sense, we believe that many of the approaches currently assessed are appropriate: among others, a progressive extension of working life in accordance with increased life expectancy, incentives for private pension schemes, or an appraisal of funded models, or a systematic review of the tax structure. In turn, the healthcare system should be streamlined to support its extremely high level of benefits in the long term. The moderate co-payment system for healthcare services based on income, established back in 2012, should be maintained. Advanced management techniques should be promoted, such as digital healthcare, developing protocols to reduce diversity, integrating public and private healthcare systems and different levels of healthcare, and implementing tools for prevention, early diagnosis and remote care solutions.

05 In a context of severe credit crunch, and considering the importance of safeguarding the interests of depositors, it is urgent to finish defining the future design of the Spanish financial system, which still breeds uncertainty, despite numerous reforms pursued. Such a design has to delimit the size of the sector, the number of institutions, the structure...
of distribution networks, and desirable financial parameters. In particular, uncertainties about some financial institutions should be removed through its recapitalization, sale or winding-up, reinforcing both corporate governance structures and levels of supervision. Such a design should ensure adequate levels of competence, giving particular consideration to public sector involvement in numerous entities, as well as returns for the industry that are attractive enough to attract capital. Finally, cyclicality in the sector should be managed by means of diversification and control policies that allow to anticipate the risks of the system.

Business environment

Creating a better business environment is essential for creating jobs and reaching the target of the Europe 2020 strategy, which sets out an employment rate of 75% among the working age population (20-64 years old).

In the last three years, steps in the right direction have been taken in terms of labor reform; however, the high unemployment rate in Spain, together with over 50% of youth unemployment, may require stronger decision-making, including a change in the method for calculating working age population. No developed country has an unemployment rate above 18%, except Greece and Spain, both presenting rates of about 27%. The Global Competitiveness Index 2013-2014 yields truly striking results: Spain is ranked 131st (out of 148 countries surveyed) for “flexibility of wage determination,” 123rd for “hiring and firing practices,” 88th for “redundancy costs,” and 132th in terms of “pay and productivity.”

Corporate law should be urgently addressed, as Doing Business 2014 report ranks Spain 142nd (out of 189 countries surveyed) on the “ease of starting a business.” In turn, the Global Competitiveness Index 2013-2014 ranks Spain 116th (out of 148) on “number of procedures required to start a business” and 105th on the “time required to start a business.”

According to Doing Business 2014, Spain is ranked 67th for “paying taxes.” The category reflects the total tax rate paid by companies per year, the time allocated to pay the taxes, and the number of payments per year. The rating has considerably improved over the years due mainly to the digitalization process undertaken by the Spanish Tax Agency. However, according to the Global Competitiveness Index 2013-2014, Spain is ranked 74th for “total tax rate” and 118th for “effect of taxation on incentives to invest.”

Legal uncertainty is the worst enemy of foreign direct investment. According to Doing Business 2014, Spain is ranked 98th for “investor protection.” The findings of this report in terms of “enforcing contracts” (ranked 59th), and the results of the Global Competitiveness Index 2013-2014 on “efficiency of legal framework in setting disputes” (70th), and “burden of government...
regulation” (125th), suggest that major improvement is needed in the legal framework and in the judicial system, a condition sine qua non for a well-functioning market.

Spanish companies are showing their ability to produce products that conquer foreign markets. Throughout the crisis, Spanish exports have performed satisfactorily. However, the significant dependence on the European market, although reduced in recent years, is still excessive (around 63%, according to Eurostat).

Spain’s infrastructure experienced a dramatic improvement during the period of economic expansion. Spain is ranked 10th for infrastructure, in terms of “quality of overall infrastructure,” in the Global Competitiveness Index 2013-2014, although budgetary and financial constraints are forcing Spain to prioritize new investment objectives. Infrastructure plans should be mainly aimed at promoting competitiveness of Spanish products.

Spain has higher energy costs compared to other EU countries, and this has a negative impact on the competitiveness of the Spanish economy. Among other reasons, this is due to Spain having one of the highest energy dependency rates among developed countries, amounting to 76.4% according to Eurostat, more than 22 percentage points above the EU average (53.9%). The difference in final prices weakens the competitiveness of the Spanish industry and, therefore, restricts its export capacity. In addition, energy imports have increased during the crisis, and placed a huge burden on the balance of payments (over EUR 45,000 million in 2012, i.e. 4% of GDP). Moreover, Spain must fulfill the energy commitments (20-20-20) set out in the Europe 2020 strategy. Another outstanding issue in this regard is to put an end to Spain’s energy isolation from the rest of Europe.

Owing to Spain’s geographical and climatic situation, water is a scarce commodity in many regions of the country. This situation is exacerbated by seasonal increases in coastal population, which sometimes causes inconvenience to tourists. Still on the subject of water, Spain should sustain its efforts to remain a leader in water resources management, as it is in terms of use and production of drinking water.

A major shortcoming of the Spanish economy is the ability of SMEs to grow. Spanish SMEs are poorly internationalized, and they show a very low technology penetration rate in comparison with other countries. The implementation of structural measures in Spain should be framed in an environment created to promote an increase in the size of Spanish SMEs, a key factor in increasing productivity, internationalization and innovation.

At business level, AmChamSpain proposes:

- **Labor law**, which has been widely reformed, should be subject to further reviews to ensure that the recent Labor Reform becomes fully effective, serving its intended purpose. Additionally, obstacles should be removed and recruitment procedures should be
definitely streamlined, flexibility should be improved, and labor costs should be reduced. The new law regarding dismissal, albeit recently enhanced, remains vague in some respects and gives too much discretion to judges, resulting in legal uncertainty for firms. Redundancy costs should be matched with those of our European competitors. It is also essential to further promote a closer relationship between wage increase and productivity.

07 Labor productivity can be improved by taking the following measures: (i) incentives for permanent recruitment; (ii) promotion of geographical and functional mobility; (iii) rationalization of working hours, matching them to other developed countries, so that working days start earlier and long lunch breaks are eliminated; (iv) promotion of teleworking and management outsourcing by using ICT; and (v) increased penalties for unjustified absenteeism.

08 The business regulatory framework should ease and promote the start up of business operations. Therefore, all regulations and procedures that hinder or slow down new business creation should be reviewed. Public Administrations should encourage telematics solutions in their interactions with firms and citizens. Process reengineering should also be implemented in order to reduce burden, administrative costs and deadlines. Additionally, Public Administrations should ensure effective coordination through digital one-stop shops and common systems shared by all tiers of competence (national, regional and local).

09 Representation of women in senior management positions should be further encouraged, as it is essential for attracting and developing entrepreneurial talent and, thus, for enhancing the country’s performance and economic growth. Corporate culture should conform to this premise, without the need for quotas, to allow high-skilled women to develop their full potential and to avoid that gender becomes a barrier to competitiveness.

10 Public Administrations should further encourage productive investment through collaboration and public/private financing tools. To ensure a viable and effective collaboration that acts as an engine for the country’s economic and social cohesion, we need: (i) a stable regulatory framework, (ii) committing to robust business projects with acceptable returns and focused on business innovation, (iii) using new financing schemes (e.g. project bonds), and (iv) sharing the inherent risk in projects between the parties. In addition, institutional mechanisms should be used to create innovative companies through increased participation of public resources and tools in privately managed venture capital funds that are targeted at priority sectors with a substantial technological or strategic content.
Recommendations to Increase Competitiveness, Productivity and Internationalization in the Spanish Economy

11 **Corporate tax** should be thoroughly reviewed in order to **correct existing differences in legislation**. Over the past four years, more than 70 regulatory amendments on corporate tax have been promoted, creating legal uncertainty, which hampers foreign direct investment levels and reduces the competitiveness of the Spanish economy. A **substantial cut in corporate tax** (the current nominal tax rate is 6.8 percentage points higher than the EU27 average) could significantly help to attract quality foreign direct investment. Spain should mimic taxation practices in other countries to attract direct investment (Ireland, Singapore). In this context, it is all the more necessary to **expand and improve the network of double taxation treaties**. Finally, it would be highly desirable to encourage transparency and communication between taxpayers and tax authorities, by allowing to **sign previous taxation agreements** that bring legal certainty to business decisions, and establish new acceptance channels with shorter deadlines for those statements submitted by taxpayers which meet established transparency requirements.

12 **Productive investment** could be encouraged through a new amortization schedule that allows, among other things, free amortization for a two-year period in case of assets that have a particular impact on the modernization of production processes. In general, tax base should be as close as possible to accounting profits to promote productive investment with no limit as to amortization, financial expenses and loss compensation.

13 In order to increase Spain’s **export base**, especially in the case of SMEs, greater coordination between public authorities and private institutions should be pursued. **Export support schemes should strengthen their efforts in non-EU markets**. While acknowledging the work done in this regard in recent years, it is necessary that the external representation of the various Spanish autonomous regions coordinates further with central government in order to avoid inconsistencies and duplication, and to create synergies for the country as a whole. In addition, the **movement of qualified foreign professionals should be further streamlined, and trade missions should be promoted**. One of the aims of Spanish diplomatic missions should be **supporting SME exports**.

14 **Public infrastructure** strategy should prioritize **economic development criteria** over other criteria (territorial cohesion). In particular, **intermodal transport** connection should be promoted so that air, sea and ground transportation can be effectively interconnected. **Rail and road interconnection with European markets** across France should be a priority. Rail sector should be fully liberalized, and **rail freight should be promoted**, as it only accounts for 4% in Spain, well below the average of other benchmark countries such as Germany (17%). **Spain should assert its advanced transport infrastructure to take a leading position in international logistics as a hub between continents**.

15 The **energy sector** should fulfill a number of essential premises: **guaranteed supply, and reduced dependence on external energy sources; environmental and financial sustainability; competitiveness in energy prices; and a stable legal framework** that
ensures sustainability of investments. The recent electricity reform aims to eliminate tariff deficit, accruing a debt of EUR 27,000 million. Further reforms should address other major challenges for Spain. First, a State Treaty on energy policy is needed in order to improve medium-term planning, essential for the growth and competitiveness of the Spanish economy. Second, legal certainty and regulatory stability should permeate the system to ensure future investments with minimal cost to consumers. Third, the interconnection with Europe should be a priority objective of Spain’s foreign policy, so that the Iberian Peninsula becomes less of an “energy island.” This will contribute to reducing energy costs by increasing competition among sources of energy supply and will allow to place Spain as a strategic partner of the EU, thanks to the diversification of natural gas supply sources. Fourth, electricity supply and demand curves should be flattened by promoting technologies such as smart electricity grids and electric vehicles, or implementing discounts or charges in the electricity tariff based on energy supply/demand. In addition, saving and energy efficiency measures should be fostered. Finally, greater liberalization and competition in energy markets should be further promoted, comprehensively reviewing other markets in order to replicate best practices.

Hydrological planning should address both proper supply management (increasing available resources) and improved demand management (ensuring efficient use of water and water return under suitable conditions to protect water quality). Cutting-edge technologies, such as the most efficient water treatment plants, and smart water grid technologies should be promoted. All these initiatives should allow Spain to become a world reference in the management and treatment of water resources.

Education

Education in Spain should undergo a profound transformation. According to the Global Competitiveness Index 2013-2014, Spain is ranked 77th for “quality of the education system” out of 148 countries.

Dropout rate (26.30%) is double the EU average (14.00%), and is almost three times the target set by Europe 2020 (10%). OECD’s Education at a Glance 2013 reveals that Spanish students lag behind in Science, Mathematics and Reading Ability. The results obtained in all categories by Spanish students are low and below the average obtained by students from all countries surveyed. In turn, the Global Competitiveness Index 2013-2014 confirms the results, as it ranks Spain 88th in terms of “Quality of math and science education.”

The fact that Spanish students lag behind is not related to resource scarcity. According to OECD’s Education at a Glance 2013, Spanish public education system financing is above the OECD and EU21 average at all education levels: Primary, Secondary and Tertiary. Total spending on education divided by the total number of students in Spain amounted
to USD 9,484 in 2010, higher than the OECD and EU21 average. Expenditure per student as a percentage of GDP per capita is 30% in Spain, also above the OECD and EU21 average. On the other hand, the salary of teachers in Spain, albeit affected by the economic crisis, is still above the OECD and EU average in all stages of education.

Other shortcomings for Spanish students are the low level of contact with the labor market during tertiary education, low international projection when focusing their careers, and limited language knowledge.

Vocational training is under-utilized. The curricula for vocational training should be adapted to the labor market and business demand. They should get the most out of changes caused by the global economy, network services, etc.

Spanish university system fares very badly in major world university rankings, as it is excessively focused on boosting quantity over quality, and mechanisms for retaining and attracting talented faculty do not include enough meritocratic criteria to reward excellence. Times Higher Education World University Rankings ranks only two Spanish universities (University Pompeu Fabra, position 218, and Autonomous University of Barcelona, 201) into the top 250 in a ranking of 400. The Academic Ranking of World Universities (ARWU), created by the Shanghai Jiao Tong University, does not include any Spanish university among the top 200 in the world. The lack of prestige of Spanish universities and the lack of incentives for the faculty prevents Spain from making enough use of its language advantage and its quality of life to attract people from all over the world, especially within the Spanish-speaking world (including 55 million U.S. Hispanics).

In the area of education, AmChamSpain proposes:

17 Spanish students should improve their science, mathematics and reading skills. It is also essential that they achieve a high level of proficiency in English. One measure that could help to improve English knowledge would be to stop translating English language series and films, as in most European countries. Additionally, the use of ICT should be promoted in the education system through objectives and training programs for teachers that allow the effective introduction of technology in curricula in all educational levels (as South Korea is successfully achieving).

18 Widely discredited vocational training should be reformed and promoted as a valid option for young people to enter the labor market, considering that unemployment rates among young people aged 16-24 exceeds 57%. The percentage of students undertaking vocational training compared to students undertaking university education should be rebalanced in favor of the former, following the example of other countries around us. Particularly, vocational training should be promoted in areas where there is a shortage of technical staff.
Recommendations to Increase Competitiveness, Productivity and Internationalization in the Spanish Economy

19 Curricula should encourage entrepreneurship, with specific training on how to create and launch a new business, so that students can expand their job opportunities. In any case, education should meet the productive sector demand.

20 Agreements between universities and firms should be reinforced to increase the availability of internships, extend their length, and improve internship conditions. While encouraging college students to do internships, tax deductions should be granted to host companies. Internships for college and vocational training students should include opportunities abroad in order to improve global capabilities of college students.

21 Universities should have appropriate incentives to attract and retain talent worldwide, with more attractive, merit-based pay systems for professors and teachers. Public universities should move away from rigid civil service scales, as well as update and streamline their structure and curricula. Teachers should be permanently assessed as to their level of excellence. In addition, the Spanish language should be smartly used by Spanish universities as a magnet to attract global talent, both teachers and students.

22 Universities should enhance its organizational structure and competitiveness. In this sense, the current model of university governance should be urgently reformed because it is fairly ineffectual. A higher level of autonomy, differentiation and competitiveness among universities should be endorsed. Universities should be subject to an ongoing assessment to ensure adequate management by objectives and accountability.

R&D/I

Research, Development and Innovation (R&D/I) are the main pillars supporting a sustainable economy in the long term. However, investment in R&D/I in Spain (1.33% of GDP in 2012) is well below the EU average (2.00% of GDP in 2012), and is far from the target set out by Europe 2020 (3% of GDP). The current difficult economic situation should not be an impediment but a catalyst to continue to invest in innovation.

Although Spain has a solid scientific production, it is at odds with the number of registered patents, and it is even less correlated with products that are eventually placed in the marked. Some of the drivers that obviously make it difficult to attract and retain talent are: insufficient involvement of the research community and the productive sector, the lack of financing, mainly from banks, and weak intellectual property protection.
Recommendations to Increase Competitiveness, Productivity and Internationalization in the Spanish Economy

One of the shortcomings that hamper the Spanish economy is the ease with which Spanish world-class researchers go to foreign countries offering more opportunities. In addition, Spain struggles to attract foreign talent.

According to the Global Competitiveness Index 2013-2014, Spain is ranked 50th (out of 148 countries surveyed) in “intellectual property protection.” While the quality of Spanish scientific research institutions ranked relatively high (36th), capacity for innovation and university-industry collaboration have significant room for improvement (ranked 57th and 48th, respectively). Regarding government procurement of advanced technology products, Spain is ranked 102nd out of 148 countries surveyed.

In the area of R&D/I, AmChamSpain proposes:

23 It is essential that the Spanish legal framework is made more attractive to foreign investment in R&D/I by increasing intellectual property protection, which should be equated with that of the most advanced countries in this area. Protecting intellectual property should be a priority not only in the legislative field, but also in public awareness-raising campaigns. Awareness of intellectual property protection should also be increased among the judiciary and State bodies and security forces, as well as in all education levels. Current legislation on this matter should reinforce administrative and judicial enforceability to provide move effective intellectual property protection.

24 University/public R&D+I institution/industry collaboration should be strengthened in order to increase R&D investment efficiency, as well as to identify synergies that allow for a closer relationship between applied research lines and commercial exploitation of new products and services. To this end, formulas for success should be sought in order to promote university-industry collaboration (such as the German Fraunhofer consortium, a large research organization consisting of 80 research institutions with public and private funding). The organizational structure of large public research centers should be streamlined, allowing for greater interaction with the private sector (required to access European funds under the Horizon 2020 program), and fostering meritocracy, especially in public research centers, in order to attract and promote the best researchers.

25 Investment in R&D/I should be encouraged in both the private and public sector, ensuring a stable legal framework that allows to maintain the same tax benefits during the entire period in which investments are realized. As for the public sector, governments should focus on a well-coordinated, supply-side industrial policy, based on public procurement in sectors and programs with a potential for R&D/I. As for the private sector, a robust venture capital industry needs to be developed, with the necessary expertise to cope with the deadlines and risk profile associated with this activity. Spin-off processes related to scientific projects which are capable of
It is essential to promote meritocracy in public research centers in order to attract and promote the best researchers.

Recommendations to Increase Competitiveness, Productivity and Internationalization in the Spanish Economy

becoming an enterprise should be boosted, both by research institutions and universities. To achieve this, in addition to funding sources, there is a need to simplify existing legislation and administrative requirements relevant to its operations (incorporation, warranties, responsibilities...). In order to ensure priority implementation of cross-cutting policies encouraging R&D/I, top authorities should be created to promote the development of science and technology, following the lead of Finland and the United States (President’s Council of Advisors on Science and Technology).
Annex I  Spain’s Economy in the Last Thirty Years: Strengths and Weaknesses

Spain: A Success Story

The socio-economic and political development in Spain over the last three decades is a reflection of the continuous process of evolution, development and growth in the country, which has allowed to consolidate a modern and thriving democracy. In this sense, Spain has taken advantage of opening up to the international community and, especially, of joining the European Economic Community in January 1986.

Throughout this time, Spain has managed to recover from different economic crises, such as the crisis in the first years of democracy, the crisis that hit the European Monetary System in 1992-1993, and the dotcom crisis in the year 2000. Considering the past 50 years, Spain is the second world economy in terms of per capita income growth (only behind Singapore); this shows the ability of the country to overcome economic crises and adverse cyclical processes, always returning to a growth path. In view of the above, it should be noted the great collective effort to undertake the necessary reforms that allowed Spain to join the European Economic Community (1986), and the Eurozone as a founding member (1999).

Figure 1. Evolution of GDP (%) (Source: Eurostat).

Over this period, the Spanish economy has become the 13th largest economy by nominal GDP in the world, with services sector accounting for over 70%. In addition, the economic growth experienced in the last decade (higher than in other EU countries), coupled with job creation during this period, allowed Spain to achieve real convergence with the European Union, as Spanish GDP per capita was 95% above the EU27 average (2012), even though it was still below the Eurozone-15 average (110%).

On the other hand, it is worth mentioning the fiscal discipline imposed on Spain since its joining the European Economic Community. This rigid fiscal policy allowed Spain to comply with the Stability and Growth Pact until the outbreak of the crisis, bringing in large revenues for the Spanish economy. This discipline has been tightened in the wake of the
current economic crisis, suggesting the need for an imminent tax reform. In March 2013, the Spanish trade balance recorded its first surplus since 1970, reflecting the internationalization process undergone by the Spanish economy in recent decades, which remains latent. For the first time in a long time, Spanish exports are greater than imports, and this is related to: (i) improved productivity and competitiveness of exporting companies, (ii) an increased export base (a growth that is essential to maintain current export levels), and (iii) geographical diversification. Progress on Spanish exports is in stark contrast with recent results of top European exporting countries like Germany, France, Italy and the United Kingdom, showing negative growth rates during the first two quarters of the year.

This boom is also initially reflected in foreign and domestic investment indicators. After a period of economic growth in which both types of investment reached all-time highs, the outbreak of the crisis caused a significant collapse in investment, falling back to the levels it was in the last decade. Now the level of investment is starting to show signs of recovery, especially with respect to foreign direct investment.

Over this period, Spanish firms have undertaken an ambitious internationalization process in Europe, Latin America and, more recently, in the United States. This has placed Spanish multinational companies as real global players in sectors such as banking, infrastructure, telecommunications, energy, tourism and fashion.

In the area of energy, Spain’s commitment to renewable energy should be noted. It has placed Spain as the world’s 4th biggest producer of wind power in terms of installed capacity (9.1% of total global capacity).

This and other commitments were made at a time when the economic situation was totally different from the current reality, hit by the crisis. Therefore, forecasts of economic growth and energy demand made years ago are no longer valid, and investments made on the basis of those forecasts have been adversely affected. In many cases, these investments have helped to fuel the growing tariff deficit the Spanish energy sector is suffering from.

Spain and the Current Economic and Financial Crisis

The first signs of what would later become one of the worst economic and financial crises since the Great Depression began to appear in 2007. The origins of the crisis were housing and financial bubbles, fueled by excessive private sector debt. The origin of the economic crisis hitting Spain has similar characteristics to those described in the previous paragraph. In addition, during the same period in which the Spanish economy was highly successful, it accumulated structural imbalances that hindered its competitiveness, such as an inflation rate higher than the EU average, or a high level of household and firm leverage.
Household and firm debt has fallen considerably in the last two years.

Nevertheless, it is worth mentioning the huge effort made by households and firms over the last two years of recession. They have reduced their debt by EUR 210,000 million in the last year (17,500 million per month), i.e. the equivalent of 25.4 percentage points of GDP. (The outstanding debt currently amounts to 146.5% of GDP, while representing 171.9% in 2008.)

There has also been a decline in the competitiveness of the Spanish economy during the crisis, due to a rigid labor market that entails higher costs compared to neighboring countries. Nonetheless, a downward trend has been noted over the last four quarters, suggesting the initial effects of labor reform.
During the economic boom, in which the real estate sector was the main driver of growth, the creation of low-skilled jobs in labor-intensive sectors led to a decline in productivity.

Over-dependence and high energy costs also contribute to the decline in competitiveness of products and services produced by companies based in Spain.
There is a substantial difference in R&D/I expenditure relative to GDP between Spain and the European Union, the United States and Japan. This is another factor that accounts for the lower competitiveness of the Spanish economy.

Figure 7. Evolution of R&D/I expenditure relative to GDP (%) (Source: Eurostat).

Over the past 30 years, Spain experienced an enviable growth, hardly achievable by other world economies. However, the impact of the economic and financial crisis has had serious consequences for the Spanish economy.

Spain’s real estate bust (being real estate the main driver of growth in the Spanish economy), and the subsequent financial sector collapse, have triggered a deep economic recession that has lasted 5 years now. Its results reflect the state in which Spain’s main economic indicators have been.

Unemployment rate surpassed 27% in 2013, whereas deficit reached 7% of GDP in 2012. And all this within a framework of fierce deleveraging in the private sector. Foreign direct investment suffered a terrible collapse in 2009, but showed a significant rebound in 2011 that still remains today. Worse is the Spanish investment abroad, amounting to 2005 levels, and maintaining the same unstable trend of the past 10 years.

However, some signs of recovery are beginning to emerge in 2013. (i) The striking data on private deleveraging, (ii) the rise of exports, (iii) the clear improvement in employment figures relating to May 2013, (iv) the recovery of industrial production, (v) the contribution of the tourism sector, (vi) the reorganization of the banking sector, (vii) reduced labor costs, (viii) and the Synthetic Indicator of Activity published in June (yielding a positive inter-quarterly variation rate during the first 2 quarters of the year), pave the way for economic recovery and growth, approaching a turning point in which the Spanish economy will return to its historical growth path.
In recent years, certain international agencies have begun publishing various global rankings, which allow to classify the different countries surveyed in various areas: competitiveness, regulatory environment, innovation, and education. Spain’s rankings on different surveyed areas in 4 of these reports are shown below. Spain’s position in these rankings is at odds with having the 13th largest economy by nominal GDP in the world.

Global Competitiveness Report 2013-2014 (WEF)

The 2013-2014 report assessed the competitiveness landscape of 144 economies. The report defines competitiveness as “the set of institutions, policies and factors that determine the level of productivity of a country.” The authors believe that “the level of productivity sets the sustainable level of prosperity that can be earned by an economy,” and that “more competitive economies tend to be able to produce higher levels of income for their citizens.”

The index is based, in turn, on three sub-indexes that are correlated with three different stages of country development:

- Basic requirements for economic development, essential for an economy to become competitive: (i) institutions, (ii) infrastructure, (iii) macroeconomic stability, (iv) health and primary education. In a second phase, an efficient economy should have the following elements: (v) higher education and training, (vi) goods market efficiency, (vii) labor market efficiency, (viii) financial market development, (ix) technological readiness, (x) market size.
- Finally, an innovative economy is characterized by innovation and sophistication factors such as (xi) Business sophistication and (xii) R&D Innovation.

<table>
<thead>
<tr>
<th>Basic requirements</th>
<th>35 (38)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Institutions</td>
<td>58 (33)</td>
</tr>
<tr>
<td>(ii) Infrastructure</td>
<td>10 (14)</td>
</tr>
<tr>
<td>(iii) Macroeconomic environment</td>
<td>116 (66)</td>
</tr>
<tr>
<td>(iv) Health and primary education</td>
<td>30 (49)</td>
</tr>
<tr>
<td>Efficiency enhancers</td>
<td>28 (32)</td>
</tr>
<tr>
<td>(v) Higher education and training</td>
<td>26 (31)</td>
</tr>
<tr>
<td>(vi) Goods market efficiency</td>
<td>63 (62)</td>
</tr>
<tr>
<td>(vii) Labor market efficiency</td>
<td>115 (115)</td>
</tr>
<tr>
<td>(viii) Financial market development</td>
<td>97 (56)</td>
</tr>
<tr>
<td>(ix) Technological readiness</td>
<td>26 (30)</td>
</tr>
<tr>
<td>(x) Market size</td>
<td>14 (13)</td>
</tr>
<tr>
<td>Innovation and sophistication factors</td>
<td>32 (41)</td>
</tr>
<tr>
<td>(xi) Business sophistication</td>
<td>33 (35)</td>
</tr>
<tr>
<td>(xii) R&amp;D Innovation</td>
<td>34 (46)</td>
</tr>
</tbody>
</table>

Table 1. Results obtained by Spain in the Global Competitiveness Index 2013-2014.
According to the *Global Competitiveness Index*, Spain is among the most advanced economies, described as "innovation-driven" economies (stage 3). However, in this respect, Spain is one of the worst performing countries among innovation-driven countries.

Selected scores obtained in different sections within the three sub-indexes are highlighted below. The results show that there is room for improvement in several areas.

<table>
<thead>
<tr>
<th>Section</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Basic requirements</strong></td>
<td>35</td>
</tr>
<tr>
<td>(i) Institutions</td>
<td>58</td>
</tr>
<tr>
<td>1.08 Wastefulness of government spending</td>
<td>113</td>
</tr>
<tr>
<td>1.09 Burden of government regulation</td>
<td>125</td>
</tr>
<tr>
<td>1.10 Efficiency of legal framework in settling disputes</td>
<td>70</td>
</tr>
<tr>
<td>(iii) Macroeconomic environment</td>
<td>116</td>
</tr>
<tr>
<td>3.01 Government budget balance</td>
<td>145</td>
</tr>
<tr>
<td>(iv) Health and primary education</td>
<td>30</td>
</tr>
<tr>
<td>4.09 Quality of primary education</td>
<td>66</td>
</tr>
<tr>
<td><strong>Efficiency enhancers</strong></td>
<td>28</td>
</tr>
<tr>
<td>(v) Higher education and training</td>
<td>26</td>
</tr>
<tr>
<td>5.03 Quality of the educational system</td>
<td>77</td>
</tr>
<tr>
<td>5.04 Quality of math and science education</td>
<td>88</td>
</tr>
<tr>
<td>(vi) Goods market efficiency</td>
<td>63</td>
</tr>
<tr>
<td>6.05 Total tax rate</td>
<td>74</td>
</tr>
<tr>
<td>6.06 Number of procedures required to start a business</td>
<td>116</td>
</tr>
<tr>
<td>6.07 Time required to start a business</td>
<td>105</td>
</tr>
<tr>
<td>(vii) Labor market efficiency</td>
<td>115</td>
</tr>
<tr>
<td>7.01 Cooperation in labor-employer relations</td>
<td>107</td>
</tr>
<tr>
<td>7.02 Flexibility of wage determination</td>
<td>131</td>
</tr>
<tr>
<td>7.03 Hiring and firing practices</td>
<td>123</td>
</tr>
<tr>
<td>7.04 Redundancy costs</td>
<td>88</td>
</tr>
<tr>
<td>7.06 Pay and productivity</td>
<td>132</td>
</tr>
<tr>
<td><strong>Innovation and sophistication factors</strong></td>
<td>32</td>
</tr>
<tr>
<td>(xii) R&amp;D Innovation</td>
<td>34</td>
</tr>
<tr>
<td>12.05 Government procurement of advanced technology products</td>
<td>102</td>
</tr>
</tbody>
</table>

Table 2. Specific results obtained by Spain in the *Global Competitiveness Index* 2013-2014.
**Annex II** Spain in Global Economic Rankings

**Doing Business 2014 (IFC, World Bank)**

This ranking compares business regulation in 189 countries in order to assess the ease of doing business. This study considers various aspects, from starting to closing a business, and the official procedures a company must follow in between (hiring, enforcing contracts, getting credit, etc.).

<table>
<thead>
<tr>
<th>Ranking in 2014</th>
<th>52</th>
</tr>
</thead>
<tbody>
<tr>
<td>Starting a business</td>
<td>142</td>
</tr>
<tr>
<td>Dealing with construction permits</td>
<td>98</td>
</tr>
<tr>
<td>Registering property</td>
<td>60</td>
</tr>
<tr>
<td>Getting credit</td>
<td>55</td>
</tr>
<tr>
<td>Protecting investors</td>
<td>98</td>
</tr>
<tr>
<td>Paying taxes</td>
<td>67</td>
</tr>
<tr>
<td>Trading across borders</td>
<td>32</td>
</tr>
<tr>
<td>Enforcing contracts</td>
<td>59</td>
</tr>
<tr>
<td>Resolving insolvency</td>
<td>22</td>
</tr>
</tbody>
</table>

*Table 3. Results obtained by Spain in the Doing Business 2014 report.*

**PISA 2009 Report (OECD)**

The Programme for International Student Assessment (PISA) is a triennial survey that measures 15-year-olds’ reading, mathematics and science literacy. Students taking part in the survey come from OECD member countries as well as from non-OECD countries.

The survey shows that Spanish students had lower scores in reading than other OECD students. In this respect, Spain ranked 26th (33rd when considering all countries surveyed). In mathematics, Spain is ranked 28th and 34th, respectively. Results are similar in science, where Spain is ranked 28th when compared to OECD countries, and 36th when compared to all countries surveyed.

Performance of Spanish students is below the average when compared to both OECD countries and other countries surveyed.
The European Council of 17 June 2010 ratified the five major objectives of Europe 2020: A European Strategy for Smart, Sustainable and Inclusive Growth. This ambitious project wants the European Union to emerge from the current economic crisis strengthened. It aims at improving economic growth potential through increased competitiveness and productivity, as well as social cohesion and economic convergence.

The 
Europe 2020 project is a continuation of the Lisbon Strategy. However, the main difference is that, this time, member state compliance will be monitored, and in this sense, rankings to measure progress in each member state will be published.

The five ambitious approved targets are:

- 75% of the 20-64 year-olds to be employed.
- Improve the conditions so that 3% of the EU's GDP is invested in R&D.
- Achieve greenhouse gas emissions 20% lower than in 1990 (or even 30% depending on international agreements after 2012); obtain 20% of energy from renewables; and increase energy efficiency by 20%.
- Improve education and, in particular, reduce the rates of early school leaving below 10%. At least 40% of 30-34 year-olds to complete third level education.
- Promote social integration, reducing poverty in particular, so that at least 20 million fewer people are in or at risk of poverty and social exclusion.
References


