

Doing Business in Spain

An introductory guide to the market

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Unless otherwise stated, Australian dollars are used. All statistical material has been compiled by the Market Information and Analysis Section, DFAT, using the latest data from the Australian Bureau of Statistics, the International Monetary Fund and various international sources.

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FOREWORD



Over the last 30 years Spain has undergone a dramatic change. The death of General Franco in 1975, followed by the accession of Spain to the European Community in 1986, led to the complete political, economic and social transformation of the country. From a relatively poor, agrarian country, Spain has made rapid economic advancement and is now a modern, fully industrialised country.

Economic reforms implemented by successive governments over the past decade have placed the Spanish economy on a strong structural footing.

Over the past five years, the Spanish economy has been amongst the leading European economies. In its Preliminary Conclusions on the 2001 Article IV Consultation, the IMF rated Spain as Europe's most dynamic economy. In that same period, merchandise trade between Australia and Spain increased by nearly 100 per cent, to a total of A\$1.6 billion in 2001, and it is increasing at a rate nearly twice as fast as Australia's total trade with Europe as a whole.

Australia and Spain enjoy healthy relations built on close people-to-people ties resulting from post-war migration; trade, cultural and scientific contacts; and tourism. The significant Spanish community in Australia, and the fact that over 250,000 Australians, many of Latin American origin, speak the Spanish language, has contributed significantly to our rich and diverse multicultural society.

Disappointingly, however, Spain has largely been overlooked by Australian exporters in favour of more traditional markets within the European Union, such as the United Kingdom, Germany, Italy and France. An increasingly affluent Spanish society is demanding more value added goods and services, many of which Australian companies have the capacity to provide.

A growing number of Australian companies are currently conducting business in Spain, laying the foundations for a future increased Australian presence in the Spanish market. Lend Lease is involved in a number of large construction projects, Amcor has set up packaging manufacturing plants and Burns Philp, Brambles, Billabong and Fosters also maintain a strong presence in Spain.

Also encouraging is the growing number of small- to medium-sized Australian companies actively engaging in the Spanish market. Recent export successes have included items as diverse as live crayfish, outdoor furniture, sophisticated internet technology and Australian wine. There is potential demand for Australian goods and services across a wide range of sectors.

The Australian Government is working together with the Australian business community and the Spanish Government to facilitate cooperation between our two countries. The Australian Embassy in Madrid is actively promoting Australia as a commercial partner for Spain and a number of trade missions, facilitated by Austrade, have played a valuable role in promoting commercial opportunities.

The Spanish market provides a rich source of opportunities for Australian companies keen to develop new overseas markets or expand existing export markets. I encourage all Australian businesses to explore these opportunities.

Mark Vaile
Minister for Trade

EXECUTIVE SUMMARY

Since emerging from its relative international isolation during the Franco era, Spain has steadily become an important figure in international affairs and an influential economic partner. Spain is the eighth largest industrialised economy in the Organisation for Economic Cooperation and Development (OECD) and the fifth largest country in the European Union in terms of population, output and production.

In 2001, the Spanish economy was valued at US\$582 billion (some 62 per cent larger than the Australian economy). For the past five years, the Spanish economy has experienced one of the strongest rates of GDP growth in the European Union. The OECD forecast that Spain's GDP per capita would increase by 2.1 per cent in 2002 and by 3.3 per cent in 2003.

Over the past 10 years, merchandise trade between Australia and Spain increased at an average rate of just under 14 per cent a year, nearly twice the rate of increase of Australia's trade with the European Union as a whole. In 2002, bilateral merchandise trade was valued at A\$1.6 billion. Coal continues to be Australia's principal export to Spain, with an annual average increase of 17.1 per cent over the past ten years. Fast ferries have also been a major Australian export to Spain. Other recent growth areas of particular importance for Australian suppliers include the provision of education services, environmental services, information and communication technology (ICT) products and services, marine equipment, processed food and wine.

Australia's merchandise trade with Spain in 2002 represented only five per cent of Australia's bilateral trade with the five biggest economies in the European Union. With a population twice the size of Australia's, a solid appetite for imports, and unrestricted trade access to other eurozone countries, Spain holds great potential to improve these figures.

Reforms in recent years by the Spanish Government have also created a welcoming environment for foreign investment. New and exciting opportunities for Australian companies have arisen in recent years and a number of Australian companies have successfully established representative offices in Spain. The reasons include low labour and transport costs; the completion of the Single European Market, enabling unrestricted movement of goods and services, capital and labour between member States; and the elimination of exchange rate fluctuations due to the introduction of the Euro.

The Australian Government is committed to assisting Australian companies establish and further develop existing markets for their products and services in Spain. The Australian Embassy in Madrid, in conjunction with Austrade, is active in promoting Australia as a commercial partner for Spain. Austrade maintains an office in Madrid, headed by the Trade Commissioner, which provides export assistance to Australian companies.

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FAST FACTS: SPAIN

The Geography

Area:	505,000 sq km, the second largest country in Western Europe (approximately 63 per cent of the size of NSW). Includes the Balearic Islands in the Mediterranean, the Canary Islands in the Atlantic, and two North African enclaves, Ceuta and Melilla.
Location:	South Western Europe on the Iberian peninsula, bordered by Portugal to the west, and France and Andorra to the northeast. The Mediterranean Sea lies to the east and south, the Atlantic Ocean to the west, and the Bay of Biscay to the north.
Terrain:	Mountainous with high plateaus. Spain is the second most mountainous country in Europe after Switzerland.
Climate:	Predominantly Mediterranean climate—mild in winter and hot and dry in summer. Most extreme differences found in the interior, with cold winters and hot summers. North coast is relatively cool and wet.
Regions:	19 Autonomous Regions (including the Autonomous Cities of Ceuta and Melilla in Northern Africa); further divided into 50 provinces.
Largest Cities:	Madrid (capital), Barcelona, Valencia, Seville.

The People

Population:	41 million, fifth largest population in the European Union.
Population Density:	80 inhabitants per square kilometre.
Language:	Official national language is Castilian Spanish, although Catalan, Galician, Valencian and Basque are official languages in their respective regions.
Religion:	83 per cent Roman Catholic.
Education:	Education is compulsory until age of 16. Literacy rate is 98 per cent.
Labour Force:	16.8 million. Services: 62.5 per cent; industry: 19.8 per cent; construction: 11.1 per cent; agriculture: 6.6 per cent.

The Political Institutions

System:	Hereditary Constitutional Monarchy
Constitution:	1978, enshrines fundamental civil rights, public freedoms and separation of powers.

Head of State:	HM King Juan Carlos I (inaugurated 22 November 1975)
Legislature:	Bicameral parliament (known as the <i>Cortes Generales</i>), comprising the <i>Congreso de los Diputados</i> (Congress of Deputies), and the <i>Senado</i> (Senate).
Executive:	Headed by the President of the Government (Prime Minister), who, after receiving the support of the majority in the Congress of Deputies, is appointed by the King. The Prime Minister appoints and heads up the Council of Ministers (Cabinet). There is also a Council of State that is the supreme consultative organ of the Government.
Judiciary:	Based on civil law system. The Supreme Court is the highest court of the State, although the Constitutional Court has jurisdiction over constitutional issues.
National elections:	Every four years, next to be scheduled by the end of March 2004. All citizens may vote from 18 years of age.
Political Parties:	Popular Party (PP)—centre-right; Spanish Socialist Workers' Party (PSOE)—main opposition party; United Left coalition (IU). Important regional parties: Convergence and Union (CiU) from Catalonia; and Basque Nationalist Party (PNV).
Current Government:	Prime Minister José María Aznar of the PP, in power since May 1996. The PP won an absolute majority in elections held in 2000.
Regional Government:	Each of the Autonomous Regions maintains its own legislative assembly, with an autonomous government headed by a Premier.
European Union:	Spain joined the European Community on 1 January 1986 and was a founding member of the European Union, which entered into force on 1 November 1993.

The Economy

GDP growth:	1.9 per cent for 2002, forecast: 2.5 per cent in 2003
GDP per capita:	US\$15,000
Inflation:	3.5 per cent in 2002
Unemployment:	11.3 per cent in 2002
Currency:	EURO (€) (1 Euro = 166.386 pesetas)
GDP by Sector:	Services: 63.7 per cent Manufacturing, mining and utilities: 19.1 per cent Construction: 8.3 per cent Agriculture, forestry and fishing: 3.2 per cent Other: 5.7 per cent



SECTION 1
UNDERSTANDING SPAIN

POLITICAL OVERVIEW

- Since emerging from its relative international isolation during the Franco era, Spain has steadily become a more active and important player in international affairs.
- Spain is the eighth largest industrialised economy in the OECD.
- For the past five years, the Spanish economy has experienced one of the strongest rates of GDP growth in the European Union.
- In 2001, the Spanish economy was valued at US\$582 billion (some 62 per cent larger than the Australian economy).
- In 2001, the total value of Spain's imports totalled US\$182.6 billion.
- In recent years, the Spanish Government has pursued policies aimed at making Spain more attractive to investors, creating a welcoming environment for foreign investment. It has low labour and transport costs and the introduction of the single market has eliminated exchange rate fluctuations and reduced overall transaction costs.
- Spain's credit rating is AAA.

System of Government

Spain is a democratic parliamentary monarchy. The monarch, His Royal Highness King Juan Carlos I, is the Head of State. The Monarch is responsible for ensuring that the country's institutions operate in accordance with the Constitution and ratifies the appointments of the most senior public officers in the executive, legislature and judiciary.

The parliament (*Cortes Generales*) is vested with legislative power. The parliament is comprised of two Houses: Congress of Deputies (*Congreso de los Diputados*) and Senate (*Senado*). As of December 2002, representation in the 350-seat lower house is made up of the Popular Party (*Partido Popular*, 'PP', 183 seats); Spanish Socialists Workers' Party (*Partido Socialista Obrero Espanol*, 'PSOE', 125 seats); Catalan Nationalists (*Convergència i Unió*, 'CiU', 15 seats); United Left group (*Izquierda Unida*, 'IU', 8 seats); Basque Nationalist Party (*Partido Nacionalista Vasco*, 'PNV', 7 seats); and other regional parties (12 seats). The Senate is currently comprised of 256 Senators. Members of parliament are elected every four years by universal suffrage.

The Head of Government is the Prime Minister, currently Mr José María Aznar, leader of the PP. First elected in 1996 with a narrow majority, the PP won an absolute majority in the lower house in the 2000 elections. Mr Aznar has announced that he will not contest the 2004 national elections, confirming his long-standing commitment not to seek more than two terms in office. His successor as the PP leader is likely to be announced in the second half of 2003. The main opposition party, PSOE, is led by Mr José Luis Rodríguez Zapatero.

For administrative purposes, Spain is organised into 19 Autonomous Communities. While the Constitution recognises the right of these various regions to autonomy, it also emphasises the 'indissoluble' unity of the Spanish State. Each Autonomous Community, including the Autonomous North African cities of Ceuta and Melilla, has its own assembly and executive government. Their powers vary considerably, with some, such as the Basque Country and Catalonia, enjoying relatively extensive powers, including regional policing, education and health services.

Table 1: Spanish Government Council of Ministers (Cabinet) (Names as used are highlighted)

President of the Government (Prime Minister)	
José María Aznar Lopez	
First Deputy Prime Minister, Department of Prime Minister and Government Spokesperson	
Mariano Rajoy Brey	
Second Deputy Prime Minister and Minister of Economy	
Rodrigo Rato y Figaredo	
Ministers	
Miguel Arias Cañete	Agriculture, Fisheries and Food
Federico Trillo -Figuerola y Martinez Conde	Defence
Pilar del Castillo Vera	Education, Culture and Sport
Jaume Matas Palou	Environment
Ricardo Montoro Romero	Finance
Ana Palacio Vallelersundi	Foreign Affairs
Ana María Pastor Julian	Health and Consumer Affairs
Ángel Acebes Paniagua	Interior
José María Michavila Nuñez	Justice
Eduardo Zaplana Hernandez-Soro	Labour and Social Affairs
Javier Arenas Bocanegra	Public Administration
Francisco Álvarez-Cascos Fernandez	Public Works
Josep Piqué i Camps	Science and Technology

FOREIGN POLICY

The European Union

Since emerging from its relative international isolation during the Franco era, Spain has steadily become a more active and important player in international affairs. Europe is the central focus of Spanish foreign policy. Spain joined the European Community in 1986 and was one of the founding members of the Treaty on European Union, which was signed in Maastricht in 1992. As the European Union's fifth largest country in terms of population, output and production, and second largest in terms of geographical size, Spain has become an influential economic player and trade competitor, not only within the European Union and with Latin America, but also in the wider global marketplace. It receives generous assistance through the European Union's structural and cohesion funds and the Common Agricultural Policy (CAP).

The Rest of the World

Spain became a member of the North Atlantic Treaty Organisation (NATO) in May 1982, with its full integration into the military structure of NATO approved by the alliance in December 1997. Spain now plays an active role in the Alliance, viewing NATO as the basis of European security and defence. It has established close political, economic and security ties with the United States.

Spain shares a close relationship with the countries of Latin America—a reflection of their long historical association, shared language and common culture. Spain has become the world's leading investor in Latin America and, as a consequence, its influence in the region is considerable. Another priority region for Spain is the Mediterranean Rim, a number of countries of which have important political and economic links with Spain. Relations with Morocco, however, are currently at a low ebb. The future of Gibraltar, including its sovereignty, is the subject of discussions between the governments of Spain and the United Kingdom. Spain continues to take a close interest in Middle East affairs and enjoys good relations with both the Arab states and Israel.

Spain's bilateral ties with the countries of the Asia-Pacific region are generally less substantial, apart from its close historical and cultural associations with the Philippines. In an effort to boost relations with countries of the region, the Aznar Government launched its 'Asia-Pacific Plan' in October 2000. The Plan includes a number of measures in the trade, investment, political, cultural and educational fields. A welcome initiative under the Plan has been the 'Casa Asia' (Asia House) in Barcelona, which was inaugurated in November 2001, and now serves as a focal point for cultural, social and economic activities between Spain and the Asia-Pacific region.

Spain is closely involved in a number of multilateral fisheries and Antarctic bodies.

ECONOMIC OVERVIEW

The Spanish Economy

The Spanish economy benefited considerably from Spain's accession to the European Union, and has since undergone a remarkable transformation from a relatively poor, agrarian economy to the eighth largest industrialised economy of the OECD. In 2001, the Spanish economy was valued at US\$582 billion, some 62 per cent larger than the Australian economy. The overall standard of living in Spain has risen in recent years and per capita income is around US\$15,000, steadily converging with the European Union average.

Over the past five years the Spanish economy has experienced one of the strongest rates of GDP growth in the European Union, averaging around four per cent per annum, driven by strong domestic demand and productive changes. However, in 2001–02 the economy experienced a period of slower growth as a result of the general economic slowdown in Europe and the United States, and weaker domestic demand. Spanish GDP growth slowed to 1.9 per cent in 2002, the lowest rate of growth since 1993 (but still the fastest growing of the large European economies). The Economist Intelligence Unit (EIU) expects GDP to rebound to

around 2.8 per cent in 2003 as a more expansive fiscal policy underpins a recovery in business and consumer confidence. According to OECD forecasts, GDP growth in Spain is still predicted to surpass that of the United States and the United Kingdom in both 2002 and 2003, as well as being ahead of EU averages.

Since the 1980s, inflation has fallen fairly steadily. Spain's Ministry of Economy expects inflation in 2003 to decrease to around 2.9 per cent from the slightly elevated 2002 figure of 3.5 per cent.

One of Spain's main economic challenges has been high unemployment. In 1996, the unemployment rate was around 24 per cent. A steady reduction since that time has been attributed to labour market reform. The rate of unemployment for 2002, at 11.3 per cent, represents a small increase from 2001, attributed to the general economic slow-down.

In 1999, the Spanish Government undertook to reduce the budget deficit and deliver a balanced budget. With a program of privatisation and a reduction in public expenditure, this target was achieved in 2001—the first time in 25 years. However, this positive state of affairs was diminished by the general economic slow-down in the following year, with a negative impact on the Government's 2002 fiscal position. That said, the deterioration was modest in comparison to other EU countries and Spain has remained well within the EU's Stability and Growth Pact guidelines.

The balance of trade in 2001 was in deficit by US\$7.0 billion. The current account deficit was about 2.9 per cent of GDP and is forecast to fall below 2 per cent by 2003. Total external debt was around US\$465 billion at the end of 2001 and is forecast to rise slightly over the next two years. However, as a proportion of GDP, it is expected to remain stable at around 80 per cent.

At the end of 2001, Moody's Risk Management Services upgraded Spain's credit rating to AAA status, and the IMF rated Spain's economy as the most dynamic in the European Union over the previous five years. Overall, despite the recent economic slow-down, the Spanish economy is still performing above the EU average and looks set to perform well over the next few years.

Economic Reform

Since its election in 1996, the Popular Party Government has focussed on making the Spanish economy more internationally competitive through a series of financial incentives and legal reforms. Key elements have included cutbacks in government expenditure, income tax cuts, labour market reforms, liberalisation of the telecommunications sector, and large-scale privatisation of state enterprises.

The privatisation program, begun in 1985, has significantly reduced state ownership of Spanish industry, public services, utilities, and transport. The program is nearly complete, with only a few smaller companies remaining to be privatised. Recent reforms have concentrated on the privatisation of the telecommunications company (Telefonica), energy groups (Endesa and Repsol), and the Iberia airline.

Flowing from the legislative steps taken in 1994, 1997 and 2001, the labour market has become more flexible. The labour contract system has been simplified and more flexible forms of hiring have been introduced.

Economic Sectors

Once heavily reliant on agriculture, the Spanish economy is now dominated by services, which account for between 60–65 per cent of all employment and total GDP. Tourism is particularly important, as Spain is the world's second largest tourist destination after France, with approximately 50 million tourists and another 20 million people on business, family and other visits per annum. Spain's second most important sector (in terms of GDP and employment) is the industrial and manufacturing sector, at around 20 per cent. The agricultural sector, once an integral part of the Spanish economy, now accounts for only about 3 per cent of GDP and 6.5 per cent of employment. Fishing remains a major primary industry, and Spain has one of the world's largest fishing fleets. Spain is also relatively rich in mineral deposits, but coal reserves are of poor quality, and almost all domestic oil demand is met by imports.

Infrastructure

Spain has undergone a process of rapid modernisation over the last ten years, investing in an extensive renewal of its transport, telecommunications and banking infrastructure. All main economic centres now have good transport links. In the last 20 years, the highway network has greatly expanded and is now extensive. There are 33 international airports. Spain's extensive coastline is serviced by 44 large seaports that together account for 52 per cent of all European trade. Bilbao and Barcelona, two of the most important seaports, are currently being upgraded and modernised. They are also the primary industrial centres in Spain. At present, Spain has two high-speed train lines. One operates between Madrid and Seville, and a second, faster line between Madrid and Lerida/Lleida (spelling dependent on language used). Construction of the extension of this second line to Barcelona is already well underway. Madrid is the centre for transportation, banking, administration, as well as, the headquarters for numerous international companies.

Recent liberalisation has brought the quality and density of Spanish telecommunications infrastructure in line with that of the European Union. The banking sector is strong with two banks, Banco Santander Central Hispana (BSCCH) and Banco Bilbao Vizcaya Argentaria (BBVA), dominating the finance sector. Despite the high level of concentration, a well-developed network of regional, mutual savings banks ensures that the retail banking sector remains competitive.

Monetary Policy

Spain joined the European Economic and Monetary Union (EMU) on 1 January 1999. Responsibility for monetary policy was transferred from the Bank of Spain to the European Central Bank. Spain's currency, the peseta, was set at a fixed rate of 166.386 to the euro. Spain, along with other EMU members adopted the euro as the sole currency on 1 January 2002. The euro, although inflationary in the short-term, should benefit the Spanish economy in the longer-term, especially through the improved degree of price stability it will generate, as well as its encouragement of foreign trade and investment through the removal of exchange rate risk. It is expected to bring increased competition and lower transaction costs within the eurozone (European Union countries with the exception of the United Kingdom, Sweden and Denmark), leading in time to greater consolidation within the EU market and increased growth. This, in turn, should provide opportunities for Australian companies wishing to increase their trade exposure in Europe.

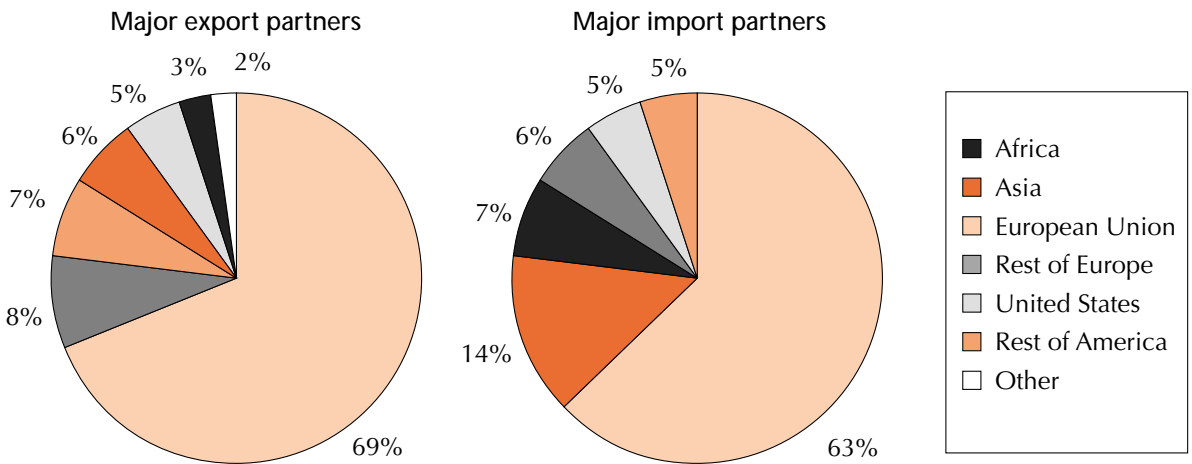
FOREIGN TRADE

Spain's Foreign Trade

Spain's international economic profile has grown appreciably in recent years, becoming the world's 16th largest exporter. In 2001 the total value of Spain's exports was US\$175 billion, with imports totalling US\$183 billion. This represented an overall 2 per cent increase in the volume of trade on the previous year. Reflecting Spain's geographic and economic position in Europe and its historic and cultural ties with Latin America, Spain's principle trading partners during this period were the European Union (in particular France, Germany, Italy and the United Kingdom), the major Latin American countries, and the United States (see Figure 1).

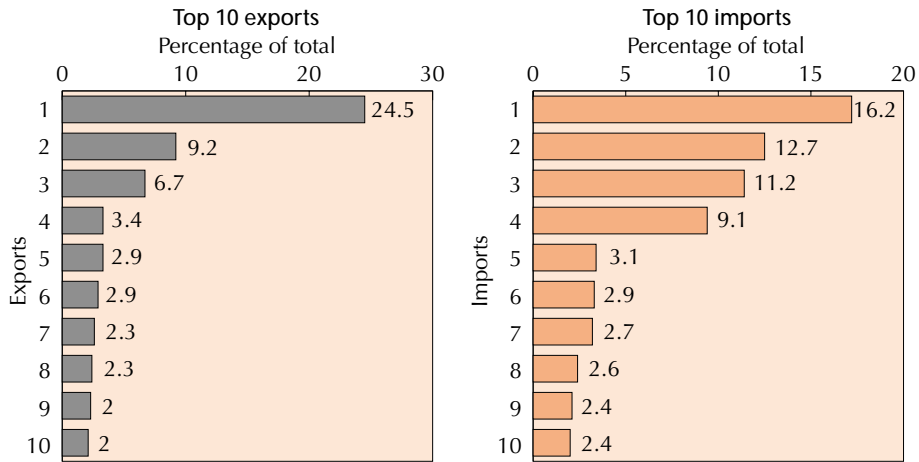
Figure 2 (page 13) details the breakdown of Spain's foreign trade. Nearly 40 per cent of Spanish exports are high value-added industrial products.

Figure 1: Spain's principal trading partners in 2001



Source: Spain in Figures year 2001, Instituto Nacional de Estadística, Madrid 2001 (www.investinspain.org)

Figure 2: Spain's top ten exports and top ten imports in 2001



Exports

(1) Vehicles (2) Nuclear reactors, boilers (3) Fuel and mineral oils (4) Electrical Machinery & Equipment (5) Plastic and plastic products (6) Cast iron and Steel (7) Chemical products (8) Pharmaceutical products (9) Optical products and equipment (10) Fishery products

Imports

(1) Vehicles (2) Nuclear reactors, boilers (3) Electrical Machinery and Equipment (4) Plastic and plastic products (5) Fuel and mineral oils (6) Nuts and dried fruits (7) Cast iron and Steel (8) Pulses and vegetables (9) Chemical products (10) Cast iron products

Source: A Guide to Business in Spain, ICEX 2001

FOREIGN INVESTMENT

Outflow

Overall, Spain is a net exporter of foreign direct investment (FDI). During the late 1990s, international cross-border investment experienced a period of significant growth. Spanish FDI was no exception. By 2000, it had reached a high of US\$53.7 billion, placing Spain as the world's sixth largest capital exporting country. However, recent international concerns about the possibility of an economic crisis have led to a massive decline in foreign investment worldwide. In 2001, Spanish FDI fell 49 per cent to US\$27.8 billion, reducing its ranking as a cross-border investor to ninth worldwide. However, while this figure represents a substantial decrease, it must be placed in the context of a 60 per cent decrease in EU FDI in the same period, indicating that Spain is faring better than many of its counterparts. The initial figures for 2002 point to a slowing of the rate of decrease, although the final result has been influenced by the stability of the international situation.

Much of the growth in Spanish investment abroad over the past decade has been directed to Latin America. Spanish FDI in the region has largely been concentrated in the financial

services, telecommunications and energy sectors. Today, Spanish companies are amongst the leaders in these sectors in Latin America. Recent concerns about the economic stability of the Latin American region have, however, reduced investment from a high in 1999 of 63.7 per cent of total Spanish FDI to only 10 per cent in 2001. As Spanish investors now look to reduce their exposure in Latin America, the majority of new investment is occurring in other EU countries (78 per cent in 2001, compared to 35 per cent in 2000) and, to a lesser extent, in North Africa. Interest in investing in the Asia–Pacific region is emerging — although this amounts to only around three per cent of total Spanish foreign investment.

Inflow

Spain's accession to the European Community in 1986 and the Government's ambitious program to transfer the assets of state-owned enterprises to the private sector has stimulated a large inflow of FDI into Spain. Foreign multinationals quickly took advantage of the lower-cost environment, buying into and re-structuring many Spanish industries, including in the chemicals, pharmaceuticals and food and beverage sectors. The motor vehicle manufacturing industry, now almost entirely foreign owned, presents a particularly good case, with Spain now the sixth largest car producer in the world.

As a result of the major surge in investment, Spain received a total of US\$101 billion in FDI between 1996 and 2001, making it the sixth largest recipient in Europe. However, with the slowing of global economic growth in 2000–01, FDI dropped 42 per cent, from US\$36.6 billion in 2000 to US\$21.8 billion in 2001, pushing Spain down to twelfth position as an investment recipient.

The European Union (in particular, the Netherlands, Germany, France and the United Kingdom) was the principal investor in Spain, accounting for 69 per cent of all FDI in the period 1997 to 2000. The United States, followed by Japan, was the single largest investor, providing one third of investment in Spain. More recently, the services sector has been the main target of investment, in particular the transport, communications and financial sub-sectors, receiving a total of 82 per cent of total FDI from 1997 to 2000. Around 23 per cent of FDI was directed to the industrial sector, more specifically the automotive, chemical, food and beverages, electronics and pharmaceutical sub-sectors.

Box 1: Spanish Investment in Latin America

A shared language, historical ties and cultural familiarity have given Spanish companies an advantage in the Latin American market, which in recent years has received almost half of Spain's investment abroad, a total of US\$80 billion. Argentina, Brazil, Chile, Venezuela and Mexico have all been major targets, with Spanish firms focusing on the financial services sector, utilities, telecommunications and energy.

The recent economic turmoil in Argentina, and increasing economic instability in Venezuela and Brazil, has led to a significant reduction in investment (from 63.7 per cent in 1999 to 10.34 per cent in 2001 of Spain's total foreign direct investment) as Spanish companies focus on trying to minimise their losses after the Argentine crisis of 2001–02. Spanish companies lost an estimated US\$11 billion as a result of the Argentine peso's devaluation, and the biggest telecommunications company in Argentina, Spanish-owned Telefónica, lost US\$1 billion on the devaluation alone. However, it is unlikely that the large Spanish firms will withdraw from the region given the relative earning importance of Latin America and the large financial commitments already made. Indeed, Spanish Prime Minister José Aznar and Spain's leading financial and industrial leaders have insisted that Spain is committed to the region irrevocably. Instead, it is likely that they will re-evaluate their investment and business strategies in the region, directing new investments to countries with more stable currencies and favourable investment policies, such as Chile and Mexico, and to a lesser extent Brazil. For example, in February 2002, Telefónica acquired a majority stake in the Mexican mobile operator, Pegasus.

Investment Climate

Despite a downturn in foreign investment in Spain in 2002, Spain continues to present a welcoming environment for foreign investment over all. For the forecast period 2002 to 2006, the EIU assessed Spain's business environment as 17th out of 60 countries worldwide, based on government policies to encourage investment, increasing economic openness, and reforms of technological and transport infrastructure, the energy sector and the labour market that have improved Spain's economic efficiency. The relatively stable macroeconomic climate over the past five years, which the EIU assessed as enhancing the capacity of firms to effectively plan long-term investments, contributed to the improved ranking.

In recent years, the Government has pursued a number of policies aimed at making Spain more attractive to investors. Under recent reforms, 100 per cent foreign ownership of equity is now permitted and capital movements have been completely liberalised. A wide range of economic incentives is offered, both by the central government and the autonomous communities, for companies that set up operations in Spain. Incentives include financial subsidies, preferential access to official credit, bonuses for the acquisition of certain material, real estate grants, incentives for research and development, tax deductions and exemptions, guarantee of dividends, bonuses and incentives for hiring and training workers and low interest loans. Any firm with foreign capital has the same access to these incentive schemes as Spanish firms.

Spain is also ranked by the EIU as the least expensive of the EU countries studied for doing business. In particular, Spain has low cost labour and transport, and the introduction of the single European market has eliminated exchange rate fluctuations and reduced overall transaction costs. It should be noted that Spain's present comparative cost advantage may be diminished with the coming accession to the European Union of 10 new members, particularly the lower-cost eastern European countries. However, the structural reforms implemented over the last decade should mean that Spain continues to offer a competitive, yet more secure, stable and reliable environment in which to conduct business.

On line: Spanish Government — www.la-moncloa.es
Ministry of Economy — www.mineco.es
Invest in Spain — www.investinspain.org
Spain's national bank, Banco de España — www.bde.es
International Monetary Fund — www.imf.org
The European Union — www.europa.eu.int
The Spanish European Union Presidency — www.ue2002.es
EC Delegation Mission to Australia — www.ecdel.org.au
Euro website — www.euro.ecb.int/en.html
European Central Bank — www.ecb.int



SECTION 2

GETTING DOWN TO BUSINESS

A DEVELOPING RELATIONSHIP

- Merchandise trade between Australia and Spain was worth A\$1.6 billion in 2002.
- Australia and Spain enjoy a healthy and growing, albeit modest, trade relationship. It has increased at an average rate of 13.7 per cent a year over the past 10 years — nearly twice the rate of increase of Australia's trade with the European Union as a whole.
- Coal continues to be Australia's principal export to Spain, with an annual average increase of 17.1 per cent over the past ten years. High speed aluminium ferries have also been a major Australian export to Spain over the last five years, with total exports of ships, boats and floating structures accounting for A\$593 million in sales.
- Spain has a population twice the size of Australia's, a solid appetite for imports, and unrestricted trade access to other eurozone countries. Yet Australia's trade with Spain in 2002 represented only five per cent of Australia's bilateral trade with the five biggest economies of Europe.
- These figures strongly suggest that Spain's dynamic economy holds significant untapped potential for increasing Australian trade.
- Though bilateral investment between the two countries has traditionally been modest, a number of Australian companies have successfully established representative offices in Spain.
- The Australian Embassy in Madrid, in conjunction with Austrade, actively promotes Australia as a commercial partner for Spain. Austrade maintains an office in Madrid, headed by the Trade Commissioner, which provides export assistance to Australian companies.

Modest Beginnings

The absence of strong historical links, the large geographic distance between Australia and Spain, and the presence of cultural and linguistic differences has meant that the two countries have generally looked elsewhere for trade opportunities. Historically, Australia concentrated its European trade relations with the United Kingdom and, to a lesser extent, with other traditional European partners, such as Germany, Italy and France. Conversely, Spain's most important economic links have been with Europe. Moreover, Spain's strong historical association, shared language and cultural similarity with the Latin American region has produced strong commercial relations with those countries. More recently, both Australia and Spain have looked to expand their opportunities within their respective geographic regions. Spain has successfully integrated its economy within the European Union, and Australia has developed strong and constructive relationships within its Asia-Pacific region.

Australia and Spain enjoy a healthy and growing, albeit modest, trade relationship with enormous potential for further expansion of commercial dealings.

Room for Improvement

Spain is rated as the most dynamic economy in the European Union and is forecast to have one of the highest growth rates in the eurozone for 2003. Total Spanish imports for 2001 were valued at US\$182.6 billion, outstripping exports by US\$7.0 billion. With a population twice the size of Australia's, a solid appetite for imports, and unrestricted trade access to other eurozone countries, Spain's dynamic economy holds great potential for increasing Australian trade.

The opportunity to expand Australia's trade with Spain becomes evident when the bilateral trade figures with Spain are compared with those of the European Union as a whole. In 2002, the European Union maintained its position as Australia's largest trading partner, accounting for 18 per cent of Australia's total merchandise trade. Australia's exports to the European Union were worth A\$14.9 billion, with a total two-way trade value of A\$44.2 billion. However, the value of Australia's total trade with Spain accounted for only 0.7 per cent of Spain's total trade in 2001, despite Spain's recent out-performance of its European rivals.

This under-development is further highlighted when Australia's merchandise trade with Spain is compared as a share of Australia's bilateral trade with the five biggest economies of Europe: Germany, France, Italy, the United Kingdom and Spain. In 2002, Australia's trade with these five countries totalled A\$32.5 billion (see Table 1). However, Australia's trade with Spain, worth A\$1.6 billion, represented only five per cent of this total trade.

Table 1: Australia's total merchandise trade with the five largest European economies, 2002

Country	Value of Trade with Australia (A\$b)
United Kingdom	\$11.4
Germany	\$ 9.0
Italy	\$ 5.8
France	\$ 4.7
Spain	\$ 1.6
Total	\$32.5

Source: STARS Database, Department of Foreign Affairs and Trade, February 2003

MERCHANDISE TRADE

Australia and Spain's current commercial relationship provides a good basis for exploring new bilateral trade and investment opportunities, as well as for collaborating on opportunities within the Asia-Pacific and Latin American regions. Bilateral trade is increasing at a healthy rate, though the overall total trade figures remain comparatively modest, having started from a low base. Bilateral trade between Australia and Spain in 2002 stood at A\$1.6 billion, one third more than the value of trade in only five years.

Over the past 10 years, trade between Australia and Spain increased at an average rate of 13.7 per cent a year. This is nearly twice the rate of increase of Australia's trade with the European Union which, as a whole, grew at an average annual rate of 8.2 per cent, and was slightly slower than the average annual growth rate of 8.3 per cent in Australia's total global merchandise trade.

However, Australia and Spain are still some way from achieving the status of significant trading partners. Spain was Australia's 28th overall ranked trading partner in 2002, accounting for just 0.7 per cent of Australia's total trade (see Table 2), and Australia accounted for less than 1 per cent of Spain's total trade.

Table 2: Australian merchandise trade with Spain in 2002

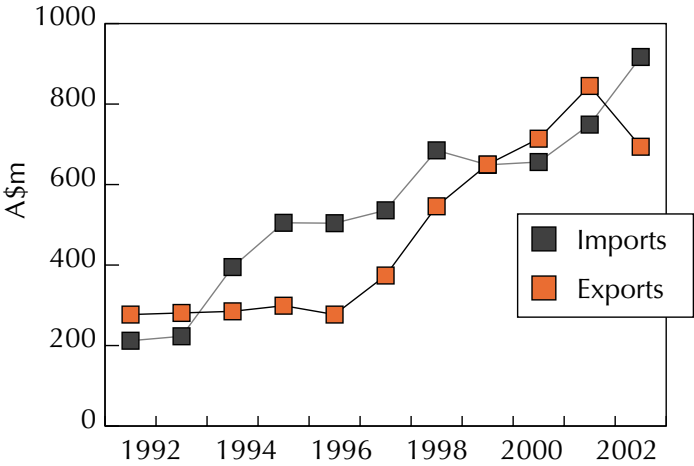
	(A\$m)	Share	Rank
Exports to Spain	694	0.6%	25th
Imports from Spain	917	0.7%	27th
Total trade (exports + imports)	1,611	0.7%	28th

Source: *Composition of Trade: Australia 2002, Department of Foreign Affairs and Trade, February 2003*

In the early nineties, Australia ran a trade deficit with Spain. Between 1999 and 2001, this position had gradually changed and, in 2001, Australia ran a trade surplus with Spain of A\$96 million. This turnaround was primarily due to the strong growth in Australian exports, which had grown at an average annual rate of 24.6 per cent over the five year period, from A\$277 million in 1996 to A\$845 million in 2001. Significant increases in the value of Australia's imports from Spain in 2002, in particular the import of passenger motor vehicles and telecommunications equipment, and a drop in Australian exports to Spain, particularly of crustaceans, animal feed and ores, led to a trade deficit in 2002. The value of Australia's exports to Spain is comparable with Australia's exports to countries such as Iran, Egypt and Belgium.

In contrast to the steady overall increase in export growth, the rate of growth in Spanish imports from Australia has slowed. Ten years ago the annual average import growth rate was 14.9 per cent, dropping to a still healthy 8.3 per cent over the five year period from 1996, with the total value of Spanish imports from Australia increasing from A\$276.8 million in 1996 to A\$845.3 million in 2001. Export value in 2002 dropped to A\$693.8 million.

Figure 3: Australia's merchandise trade with Spain, 1992–2002



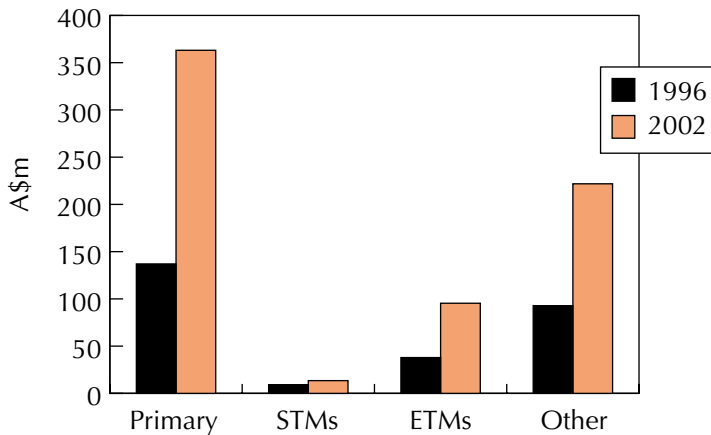
Source: ABS data on DFAT Stars Database

Composition of Merchandise Trade

Exports

Just ten years ago, nearly 80 per cent of Australia's exports to Spain were primary products. In 2002, that figure had decreased to just over half (52.3 per cent). While the composition of trade reflects the continued importance of primary products, the long-term trends indicate that manufactures, in particular elaborately transformed manufactures (ETMs), have dramatically increased over the past six years, with growth of nearly 200 per cent (see Figure 4).

Figure 4: Australia's broad exports to Spain



Source: ABS data on DFAT Stars Database

Reflecting an established pattern of trade, coal continues to be Australia's principal export to Spain, with an annual average increase of 17.1 per cent over the past ten years. The total value of coal exports in 2002 was A\$263.0 million. Fast ferries have also been a major Australian export to Spain, competing with coal as the major export in some years. Confidential items ranked as Australia's second largest export, at A\$220.6 million. (Note that due to the way major shipping and distribution lines work, and the way Australian export data is collected, goods destined for Spain that are first shipped to London or Rotterdam, for example, are not recorded as exports to Spain on official trade statistics.)

Table 3: Top 10 Australian exports to Spain, 2002

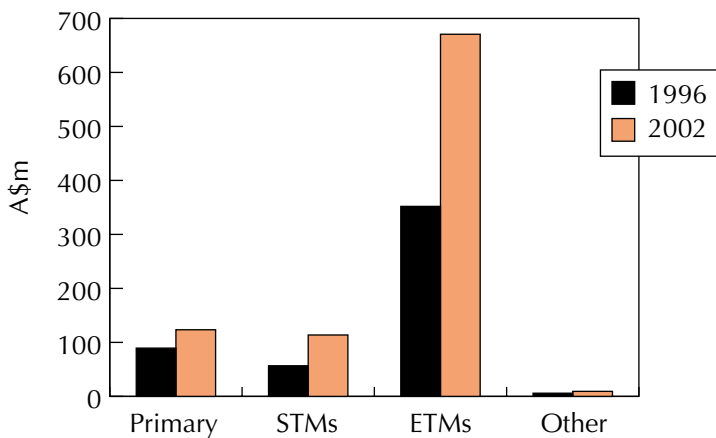
Export Item	A\$mil	Average p.a. growth over 5 years (%)	Average p.a. growth over 10 years %
Coal	263.0	32.5	17.1
Wool	38.9	-2.0	4.8
Medicaments (incl. veterinary)	20.8	327.6	135.8
Crustaceans	9.3	17.7	8.9
Other ores	8.2	-	-
Animal feed	7.9	152.9	1.5
Integrated circuits	7.7	27.3	38.4
Crude minerals, nes	7.2	36.8	49.7
Iron ore	6.6	24.4	-10.5
Motor vehicle parts	6.2	79.5	34.9
Total merchandise exports	694	13.7	13.6

Source: ABS data on DFAT Stars Database

Imports

Simple (STMs) and elaborately transformed manufactures (ETMs) have accounted for the majority of Australia's imports from Spain over the past ten years (see Figure 5). From around 69 per cent (A\$147 million) in 1992, this figure had increased to almost 86 per cent by 2002, with the value of total manufactured imports reaching A\$784.3 million. Primary product imports, which were worth A\$123.4 million, represented 14 per cent of total Australian imports from Spain.

Figure 5: Australia's broad imports from Spain



Source: ABS data on DFAT Stars Database

Passenger motor vehicles were the highest ranked import item in 2002, worth over A\$160.7 million. Olive oil, imports of vegetable fats and oils collectively were the second ranked item, at A\$63.7 million (see Table 4).

Table 4: Top 5 imports from Spain, 2002

Import Item	(A\$m)
Passenger motor vehicles	160.7
Soft fixed vegetable fats and oils	63.7
Clay construction materials	54.4
Telecommunications equipment	49.3
Medicaments (inc. veterinary)	45.6

Source: Composition of Trade: Australia 2002, Department of Foreign Affairs and Trade, February 2003

TRADE IN SERVICES

According to OECD data, Spain exported services to Australia worth US\$76 million in 2000. This represented a 9 per cent increase on 1999 and, in 2000, accounted for 0.14 per cent of Spain's total services exports. In 2000, Spanish imports of services from Australia totalled US\$76 million. This represented a 35 per cent increase on 1999 and, in 2000, accounted for 0.25 per cent of Spain's total services imports.

Spain is primarily a service nation, relying heavily on tourism and related services to counteract large trade deficits. The historical attractions based on a long history of interaction with the Greek and Arab worlds, the relative absence of industrial pollution and a dry warm sunny climate of the Mediterranean south and east have provided a solid base for the tourism sector. Around 50 million tourists visit Spain annually. The 11 September 2001 terrorist attacks in the United States had a negligible impact on total tourist numbers visiting Spain, although income from tourism fell by around 4.3 per cent in 2002. Nevertheless, the tourism sector continues to have excellent prospects for further growth.

Though Australia has world famous agricultural and mining sectors, consecutive governments have recognised the need to transform and modernise the economy, resulting in a sophisticated manufacturing and services base. Indeed, services and manufactures now account for almost half of total Australian exports. In line with Australia's increasing skill base, experience and capacity, services are now accounting for a rising share of Australia's export trade. In 1982 services accounted for just 17 per cent of Australia's total exports. By 2002 that figure had increased to 21 per cent.

INVESTMENT

Investment between Australia and Spain has traditionally been limited. As highlighted in Section One, although Spain ranked as the world's sixth largest exporter of capital, only 3 per cent of this investment reaches the Asia-Pacific region, and even less to Australia. Despite the fact that Spain is also a major recipient of inwards FDI, Australian companies have not generally featured in

Spain's market restructuring and expansion. As a result, levels of direct bilateral investment are small, although there is evidence that this is beginning to change.

At present, a small number of Australian companies are active, or maintain representative offices, in Spain. Lend Lease is involved in a number of large construction projects. Amcor has set up flexible packaging manufacture plants. The support services group, Brambles, maintains a number of interests in Spain, including equipment pooling and rental, and information management. Cash Converters opened its first franchise in Spain in 1995, and now has more than 35 stores. Burns Philp runs yeast operations, and Billabong clothing and Fosters also have a strong presence.

Spanish investment in Australia has occurred across a number of sectors, including in agribusiness, manufacturing and services, such as hospitality, and real estate. Although the Spanish investment presence in the Australian market has been relatively minor, the Spanish Government is now actively encouraging businesses to pay greater attention to the Asia-Pacific region. This is one of several factors that have contributed to the recent increase in Spanish interest in investing in Australia. In 2001, Spanish wine producer, Freixenet, acquired a major share in the Wingara Wine Group, and EDV has set up a manufacturing plant for barrier packaging in Victoria. Ferrovial Aeropuertas has also invested several hundred million dollars in the Southern Cross Airports Consortium, alongside the major investor Macquarie Airports Group, which won the tender for the privatisation of Sydney Airport. Banco Santander maintains a representative office in Australia. Looking to the future, major Spanish alternative energy companies are exploring investments and projects in Australia.

A PROMISING FUTURE

Fulfilling the Potential

Despite the lack of familiarity between the respective countries and their economies, prospects for increasing Australian–Spanish trade are promising. While it is easy to identify the differences between Australia and Spain, what is often overlooked is the similarity in the trajectories of both countries over the past two decades. Both countries have experienced a period of rapid economic transformation. The traditional reliance on primary production has been supplemented by a massive growth in the manufacturing sectors. Trade has increased dramatically, as economic reforms, such as deregulation and privatisation, have made industries more efficient and their economies more internationally competitive. Successive governments have also undertaken fiscal consolidation, as well as introducing taxation and labour market reforms. The result has been strong economic growth and increased foreign trade, making both Spain and Australia more affluent, with increasingly urban and cosmopolitan societies. It is this parallel development that Australian business should seek to explore as an opportunity to increase trade.

The rapid development of both economies, combined with an increasingly affluent society, has increased the demand for value added goods and services. In Spain, recent growth areas of particular importance for Australian suppliers include the provision of education services, environmental services, information and communication technologies products and services, marine equipment, processed food and wine (see Section Three). Recent Australian export successes have included items as diverse as live crayfish, outback clothing, air-conditioning units,

English language training, outdoor furniture and sophisticated Internet-based technologies. Over the last five years, with a total value of A\$589 million, with a total value of A\$589 million, ships, boats and floating structures (in particular high speed aluminium ferries) have been exported to Spain, and are now servicing major tourist areas in the Mediterranean and elsewhere.

There may also be possibilities for commercial cooperation or joint ventures between like-minded Australian and Spanish companies in the Asia-Pacific region (see Box 2).

Box 2: Spain's 'Asia-Pacific Plan'

In 2000, in line with Spain's growing global influence, the Spanish Government released its 'Asia-Pacific Plan', which recognised the need to increase Spain's relatively few links with this region. The Plan affirms the Spanish Government's commitment to broadening and achieving more balanced relations with the Asia-Pacific region. A series of concrete initiatives have been proposed to strengthen trade, investment, political, cultural and educational links with the region. The Plan's focus is primarily on nations such as China, Japan, South Korea and, given Spain's historical links with the country, the Philippines. However, Australia is expected to benefit from the Plan as a whole, and the Australian Government is working to ensure Australia capitalises on Spain's new policy, engaging Spanish officials to highlight Australia's relevance and importance to the region. To provide a focus and further its objectives, Spain has appointed an Ambassador for the Asia-Pacific Plan.

Given its own wide-ranging engagement within the Asia-Pacific region, Australia is well-placed to become a springboard for the new Spanish interest in the region. Spanish firms could benefit by locating their regional headquarters and operating centres in Australia. As Spanish companies seek access, expertise, and partners in their future expansion into these markets, Australian companies should be able to capitalise on their own connections.

Many Australian firms are making inroads into the Latin American market, with numerous examples of innovative Australian companies securing new markets and taking Australia's export and investment base in new directions. Establishing partnerships with Spanish companies already active and experienced in the Latin American market will increase the opportunities for Australian trade and investment growth in the coming decades.

WORKING TOGETHER

Opportunities for further bilateral trade and investment can be assisted greatly by increasing the levels of knowledge and information exchange between Australia and Spain. High profile visits are important in raising Australia's visibility, in Spanish Government and other circles, and in expanding the range and depth of bilateral dialogue. High level Australian visitors to Spain since 2000 have included the Minister for Foreign Affairs, Mr Alexander Downer (twice); the Minister for Immigration, Multicultural and Indigenous Affairs, Mr Philip Ruddock; the Minister for Ageing, Mr Kevin Andrews; the former Minister for Defence, Mr John Moore, the

former Minister for Financial Services, Mr Joe Hockey and the former President of the Senate, Senator Margaret Reid.

Trade missions also play a valuable role in exposing the business community to commercial opportunities and capabilities. A number of Exporters Associations and Chambers of Commerce in Spain send delegations to Australia every year. The former Spanish Industry and Energy Minister, Josep Piqué, led a business delegation to Australia in June 1998. Australian delegations have also visited Spain to explore business opportunities and raise awareness of Australian capability. These missions and market visits were broad-ranging and included the engineering, education and agribusiness sectors.

The Australian Embassy in Madrid is active in promoting Australia as a commercial partner for Spain. Austrade maintains an office in Madrid, headed by the Trade Commissioner, which provides export assistance to Australian companies. Similarly, the Spanish Government runs a trade promotion office in Sydney. As well, a regional trade promotion centre representing Catalonia's regional government and an active Spanish Chamber of Commerce are also located in Sydney. The Australia Spain Business Association, with branches in Madrid and Barcelona, is also working to promote improved business linkages.

Together, Australia and Spain are working at all levels to improve the bilateral relationship for the future.

Box 3: Selected Bilateral Treaties and other Instruments between Australia and Spain

Agreement on Social Security (1991, updated 2002)

Entry and Short-term Visits Facilitation Arrangement (1998)

Agreement on Cultural, Educational and Scientific Cooperation (1994)

Double Taxation Agreement (1992)

Treaty on Mutual Assistance in Criminal Matters (1991)

Treaty on Extradition (1988)

Information and Communications Technologies Memorandum of Understanding
(Under negotiation)

Working Holiday Makers Arrangement (Under negotiation)

Science and Technology Cooperation Agreement (Under negotiation)



SECTION 3

SECTOR ANALYSIS AND CASE STUDIES

FOOD AND BEVERAGE

The Spanish food and beverage sector presents a challenging market. Diverse climatic and soil conditions in Spain result in variable domestic agricultural production. Competition from Europe and Latin America to meet Spain's needs is strong. In 2000, Spanish exports in this sector were worth €16.5 billion, dominated by wine, olive oil, tomatoes, mandarins and oranges. Food and beverage imports into Spain amounted to €14.3 billion, with seafoods (prawns, crayfish and shrimps), soybeans, wheat, cigars and cigarettes, and whisky the principle products in demand.

The trend in Spanish consumer habits is towards moderate growth in food consumption, steadily growing in volume by 1.2 per cent in both 1999 and 2000. The value of total food and beverage consumption continues to increase strongly, with an 8.3 per cent increase in 2001 to a total of €61.4 billion.

The distribution of spending in 2001 remained consistent with previous years. Households accounted for 73 per cent of food and beverage spending, hotels and restaurants 25 per cent and institutions 2 per cent. Of total household food purchases, meat (24.1 per cent), seafood (13.7 per cent) and dairy (12.1 per cent) were the three largest areas of spending. Dried fruit, mineral water, juices and fish products experienced the strongest growth in consumption, whereas table wine, legumes and potatoes declined. The 'Mediterranean diet' (seafood, salad, fruit and vegetables, olive oil and wine) still plays a significant role in influencing Spanish food and beverage consumption, although there is a shift to consume more pre-prepared, ready-to-eat foods and diet products as Spaniards adopt an increasingly urban lifestyle.

While approximately 50 per cent of fresh food, particularly meat and seafood, is still purchased in traditional shops and markets, supermarkets and hypermarkets are increasing their market share among consumers. In 1995, supermarket and hypermarket purchases accounted for approximately 36 per cent of all food sales. By 2000, this figure had reached 50 per cent. These retail outlets are dominated by eight to ten medium to large companies. This increasing conglomeration levers substantial control over suppliers, making access to the market potentially difficult. Exporters should target specialised importers or distributors, as major importers tend not to import directly. Demonstrated consistency in quality, price, volume and supply is important to establish a long-term relationship with distributors and become part of the supply process.

At the present time, Australia's presence in the Spanish food and beverage market is relatively marginal, with exports in 2002 valued at €10.5 million or A\$18.3 million. Although there is strong competition in the market from countries such as France, Chile, Peru and Africa, niche market opportunities exist for Australian products in:

- seafood—prawns (note: Spain is the second largest per capita consumer of seafood in the world);
- meat—game, high quality beef and lamb;
- groceries—prepared ready-to-eat food, snacks, health food, sauces and condiments, pulses and grains, nuts, bulk honey and preserved fruit:

- fruit and vegetables:
 - out-of-season fresh fruit such as cherries, berries, stone fruit and pears;
 - exotic fruit such as mangoes, pineapples and grapefruits;
 - apples such as Red Chief, Gala and Golden Delicious;
 - exotic fruit pulp for processing; and
 - organic produce.

As Spanish suppliers seek alternative sources of produce, Australian production of temperate and tropical varieties of fruit and vegetables during Spain's 'off' season is a particular advantage. However, Australian producers need to compete with their Latin American and African competitors.

A common customs tariff is applicable to goods from non-EU countries. Import duties relating to fresh produce are determined by the variety, method of preservation/ packing and the country of origin. Other duties are ad valorem, based on the General Agreement on Tariffs and Trade (GATT) Valuation Code (a percentage on approximate cost, insurance and freight value). Prior to shipping, all imports of plants or parts of plants, meats or seafoods require certification according to EU sanitary and phytosanitary regulations. This is carried out by the Australian Quarantine and Inspection Service (AQIS). Australian exporters should work closely with Spanish importers to ensure that their products comply with local customs, packaging, labelling and documentary requirements.

On line: Food and Beverages Industries Federation: www.fiab.es

CASE STUDY: TWEED HEADS FISHERIES

The coastal town of Tweed Heads, on the New South Wales–Queensland border, has long been known for its excellent fishing, making it the perfect location for Tweed Heads Fisheries, owned and operated for more than twenty years by the husband and wife team, Ms Jacqueline Caste and Mr Theo Glinatsis.

In 1986, the company's directors identified the potential to increase their export earnings dramatically if they could break into one of the world's biggest seafood consuming markets — Spain.

'As I am originally from France, I already knew about the traditional "Mediterranean diet",' said director, Jacqueline Caste. 'It consists mainly of a lot of fresh fruit and vegetables, olive oil and seafood. Spain seemed the natural choice to export our processed and packaged prawns.

'Early on, we made contact with the major importers in Spain by telex, to let them know about our company. Then we made a number of visits to Spain. While we were there we were able to come to an agreement with several wholesalers to purchase our product. We sent the first shipment of prawns in 1986. In our first year, we sent over 25 container loads.'

This initial success gave Tweed Heads Fisheries a foot in the door to the Spanish market, and the company has been successfully exporting predominantly Endeavour prawns, but also Banana and King prawns, to Spain since. In 2002, Tweed Heads Fisheries exported more than A\$2.4 million worth of prawns to Spain, a level the company is keen to increase in the future.

Ms Caste said that overall, the company had experienced no major hurdles exporting to Spain. 'It has been quite easy. The success of our exports is largely dictated by the market. Some years are better than others — it depends on the season. Sometimes Argentina has a big harvest of prawns and it can be difficult to compete with their prices, but then the next year they export very little and the demand for our product increases.'

Because of the year-to-year fluctuations in the market, Ms Caste maintains that it is essential to keep in contact with your suppliers. 'We frequently travel to Spain and visit our customers so they do not forget us! It is also important to be familiar with Spanish customs and beliefs when you are doing business in Spain.'

Australian prawns alone earned A\$230 million internationally in 2002. The Australian fishing and aquaculture sub-sectors are Australia's fifth most valuable rural industry after wool, beef, wheat and dairy.

EDUCATION

Spain presents a promising market for Australian education services, particularly for courses in English as a second language and, to a lesser extent, secondary and higher education. Approximately 8.4 million students were enrolled in the Spanish education system in 2000–01.

The growing affluence of Spanish society and increased international exposure through foreign investment, tourism and Spain's accession to the European Union in 1986, has increased the desirability of learning a second language, with approximately 90 per cent of students electing to study English. Despite a relatively low level of English being spoken among Spaniards in comparison to most other European countries, education reforms to the primary and secondary system announced in early 2002 require students between the ages of 6–16 years to study a second language.

Although there are no official government statistics, ASEPROCE (the Spanish Association of Promoters of Overseas Courses) estimates that approximately 190,000 Spaniards travelled abroad to study English in 2001. The strongest competitors in the Spanish market are the United Kingdom and Ireland, which are currently the preferred destination by younger and short-term English language course students due to their geographic proximity. The United States and Canada are preferred among older and second-time students.

As nearly all the specialised language agents offer English Language Intensive Courses for Overseas Students (ELICOS), it is essential for Australia to offer specialised courses in areas of particular strength in order to attract a Spanish representative agent. Niche market opportunities include:

- e-learning, particularly corporate training and specific professional needs;
- English for a specific purpose, especially business studies with a possible work-experience placement;
- preparation for English proficiency exams, such as Cambridge, International English Language Testing System (IELTS) and Test of English as a Foreign Language (TOEFL);
- post-graduate studies;
- teacher training courses;
- hospitality and tourism courses; and
- aviation and pilot training

Though Australia is perceived by Spanish students as an attractive destination, with a good climate and lifestyle, there is still a lack of knowledge and awareness of Australian education services and Australia's competitive academic fees and living costs. Consequently the number of Spanish students currently enrolled in Australian institutions is relatively low (474 in 2001–02, up from 127 students in 1996–97) although the trends are promising. Data from the Department of Immigration and Multicultural and Indigenous Affairs shows a steady increase in the number of student visas issued in recent years. The number of visas issued in the seven months to January 2003 was close to the total number issued in the previous financial year.

CASE STUDY: UNIVERSITY OF THE SUNSHINE COAST

Size and age have proved no barrier for Australia's newest and second smallest university, the University of the Sunshine Coast (USC) in Queensland. Designed and developed as a vibrant modern university, USC has achieved rapid growth and diversification since opening in 1996, and in only a few years has made a successful foray into the Spanish education market. From one Spanish student entering the English Language Centre in 2000 to 21 students in 2002, the University expects an increase in these numbers in 2003, both into the Language Centre and University undergraduate programs.



As part of the University's long-term strategic plan to attract international students, the English Language Centre was established in 1998. Shortly after, Associate Director of International Relations, Del Childs, undertook a marketing trip to Europe that identified Spain as a potential market for the export of Australian education services. The University contacted Austrade in Madrid, which then organised a series of appointments with education and language travel agents around Spain.

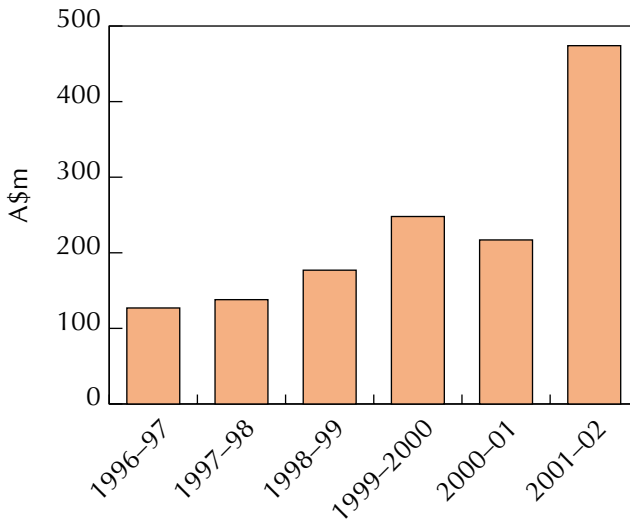
From this initial contact the University faced a real challenge in attempting to persuade agents to promote Australia to Spanish students over the traditional destinations. 'While there is a significant demand for study abroad programs in Spain, the market is very competitive,' Ms Childs said. 'Agents are already familiar with schools in Ireland, the United States and the United Kingdom, and there is a general misperception that Australia is more expensive and too far away to be considered. The reality is that tuition and living costs can be as little as half that of competitor markets.'

Attempting to counter these perceived barriers, University staff attended various trade fairs and exhibitions, providing agents with a wealth of information about Australia. 'It is important to portray the real situation. You need to sell the whole package — the lifestyle, the accommodation, the cost and the flight, as well as the University,' said Ms Childs. 'This part of Australia is not as well known overseas as say, Sydney, so during my visits to Spain I make sure to take brochures of not only the University, but also of the Sunshine Coast region.' Famous for its surfing beaches and rainforest walks, the surrounds of the Sunshine Coast have been a valuable selling point overseas. The University is also one of the few in Australia that has wild kangaroos roaming the campus.

The persistent marketing has paid off and the University now has links to over 20 agencies in Spain, and in particular to an agent in Madrid who specialises in sending students to Australia. 'It is so important to develop a good relationship with your agent or partner', Ms Childs advised potential exporters. 'I can't overestimate the importance of that working relationship.' To reinforce the University's commitment and build trust with their agents, a representative of the University visits Spain at least once a year, regularly distributes brochures and maintains telephone and e-mail contact. Ultimately, Ms Childs believes that being successful in Spain is a question of time, enthusiasm and consistency.

On-line: www.usc.edu.au

Figure 6: Australian Visas issued to Spanish students



Source: DIMIA

It is estimated that these official figures represent less than half the number of Spaniards who come to Australia for educational purposes. The majority of Spanish students enter Australia on a visitor's visa and average a seven-week stay to undertake English language courses during their July–September summer holidays.

Trade Fairs

Feria de Madrid: www.ifema.es

Feria de Barcelona: www.firabcn.es

Feria de Valencia: www.feriavalencia.com

Feria de Bilbao: www.feriaint-bilbao.es www.feriadebilbao.com

AULA — Education Opportunities Exhibition, Madrid: www.aula.ifema.es

Expolingua — Foreign language education Fair, Madrid:
www.expolingua.es/Expolingua2003/IN-Principal.htm

Salo De l'ensenyament – Education and Training Exhibition, Barcelona:
www.udg.es/sapiats/sapiats5/Salo_ensenyament.htm

On line: IDP Education Australia: www.idp.com

Australian Education Institution (AEI): www.aei.dest.gov.au

Spanish Association of Promoters of Overseas Courses (Asociación Española de Promotores de Cursos en el Extranjero—ASEPROCE): www.aseproce.org

English Language Intensive Courses for Overseas Students (ELICOS):
www.elicos.edu.au

Market Overview

The environment sector in Spain is growing at an annual rate of 12 per cent, the most rapidly expanding of all Spanish industry sectors. This is due to a combination of Spain's recent economic industrialisation, low environmental investment base and the national government's commitment to implement EU directives on the environment. While investment in the environment sector in 2000 was approximately US\$2.2 billion, the OECD estimates that investment must reach US\$4.8 billion per year in order to achieve present EU environmental protection standards by 2005.

The Spanish environment sector can be divided into three main sub-sectors: waste management, water treatment, and atmospheric emissions. Strong domestic and international competition in the water and air sub-sectors make waste management the most attractive area for Australian business.

Waste Management Market

The Spanish waste market is changing rapidly as it attempts to comply with the 1998 New Wastes Bill which incorporates EU directives on urban and toxic waste. Approximately 90 per cent of Spain's existing landfills do not meet the EU directive on urban waste and more than 25 per cent of Spain's dangerous waste does not meet the necessary controls. Trade Partners UK estimates that Spain may be up to 10 years behind other EU countries in the treatment of dangerous waste. Potential opportunities exist for Australian business in:

- waste control and management, especially the treatment of industrial residual water, including diagnosis, treatment, case studies, design and the construction of plants; and
- recycling plants and equipment, especially state of the art recycling technology.

Australian firms may wish to consider joint ventures with Spanish firms to gain access to European Commission cohesion funds which have been allocated for environment projects in water quality and supply, sewerage treatment and waste management.

The four major Spanish environment trade fairs—SMAGUA (water control and management), Proma, Ecofira, and Exporecycling—provide good opportunities for Australian firms to raise their profile in the market and to establish and maintain relationships with clients and distributors.

Trade Fairs

SMAGUA: www.smagua.com

Proma: www.feriaint-bilbao.es/ingles/certamen03/proma/menu.html

Ecofira: www.feriavalencia.com/ecofira/home.html

Exporecycling: www.ferias-de-espana.com/principal/Comunidades/Catalu_a/Barcelona/exporecycling.html

On line: Environment Business Australia: www.emiaa.org.au
Environment Industry Development Network: www.eidn.com.au
Environment Australia: www.ea.gov.au
Australia's enviroNET: www.environet.ea.gov.au
Spanish Department of the Environment: www.mma.es

CASE STUDY: ENVIROMIST

Berri-based company, Enviromist Industries, designs and manufactures covered weed sprayers for use in vineyards and orchards. The company has developed a safer, more reliable, cost-effective and accurate spraying technology using Controlled Droplet Application (CDA). For users, the CDA technology means significant savings in chemical, water, fuel, and labour; reduced soil compaction; more timely operations; and the ability to spray even in unfavourable weather conditions.



Enviromist had long recognised Spain, the world's third largest producer of wine, as a potentially very important market for its products. Although the company initially concentrated its efforts on developing markets in South Africa and the United States, word soon spread about the quality of Enviromist's products, and in 1997 the company received initial contact from a Spanish vineyard operator interested in purchasing Enviromist equipment.

The company was soon focused on the Spanish market and sought to identify dealers in Spain. In cooperation with Monsanto, a major weed killer manufacturer, Enviromist located their first dealer, Cupasa, which has proven to be a small but steady operator, whose volume of purchases has increased every year. Cupasa is now Enviromist's main distributor in Spain, covering mainly the Aragon region.

Mr Chris Vasey, Managing Director of Enviromist, notes that when it came to choosing a dealer, Enviromist recognised that the company would be wholly reliant on that dealer to develop the market in Spain. 'Cupasa fitted the bill: it was a family operation and the principals were actively involved in the day-to-day running of the business. It was important that Cupasa was willing to commit to the hard work in establishing what was a new technology to the business.'

Mr Vasey believes that Spain is poised to take big steps forward in the area of viticulture. 'Spaniards involved in the wine industry are keen to be as technologically advanced as they can be. This will not only offer opportunities for Enviromist, but also to other Australian companies with quality products and services to sell.'

Mr Vasey makes annual visits to Spain. 'The visits are important in terms of maintaining contacts with dealers, as well as growing the market. Business contacts are very friendly and helpful.' He said that he found doing business in Spain to be relatively straight forward, with Australian and Spanish business styles and outlooks being similar.

Although Mr Vasey speaks no Spanish, language has not proved to be the barrier he had initially feared. 'Many Spanish people we met were already reasonable English speakers and most were undertaking classes to improve.'

However he does advise that Australian companies interested in exporting to Spain to be aware of differences in the payment schedule. 'The terms in Spain tend to be longer than in Australia, with 90 to 120 days being the minimum. However, Enviromist has not had any concerns with its customers.'

Since the company began selling to Spain in 1997, sales have increased every year as dealers' confidence in the product grows with proven performance of the equipment. Spain is currently around the fourth largest export market for Enviromist and has the potential to be much more.

On line: www.enviromist.com.au

INFORMATION AND COMMUNICATION TECHNOLOGY (ICT)

Telecommunications

Spain is Europe's fastest growing telecommunications market, with a 27 per cent increase in market value in 2000, amounting to US\$20.6 billion. Major reforms to the sector in 1998 resulted in the dismantling of the former telephone monopoly and privatisation of the state controlled telephone corporation. The Spanish electricity grid and telecommunications network now have levels of sophistication that approximate EU standards.

The main telecommunication corporations now operating in Spain are Telefónica, Retevisión, Lince, Euskatel, Jazz Telecom, RSL Com and American Telecom. The two main Spanish telecommunications authorities are the Telecommunications Market Commission, an independent national regulatory authority set up to ensure competition, and the Ministry of Science and Technology.

Internet and E-commerce

Compared to the rest of Europe, the information society in Spain is still in its early stages of development. While it is estimated that, in 2001, 33 per cent of households owned a computer, only 14 per cent had access to the internet. The majority of those internet users were middle- to upper-class males, aged between 15 and 49.

To promote internet usage, the Spanish Government has introduced a series of reforms under the information and technology plan, Info XXI, which includes unbundling the local loop to permit Internet Service Providers (ISPs) direct contact with users and a flat tariff for internet access. It is anticipated that accessibility to the internet will also improve as the cost of personal computer ownership decreases, and the introduction of the 3G wireless in Europe leads to substantial increases in the number of web access devices.

Recent reforms have also stimulated growth in e-commerce. The EIU has ranked Spain as 22nd out of 60 countries in preparedness for e-commerce. E-commerce revenue is predicted to increase rapidly from US\$0.6 billion in 2000 to US\$11.8 billion in 2004. However, this sector is in its infancy, with only 6.4 per cent of Spanish firms selling on-line and one fifth of internet users purchasing on-line products in 2001. Overall, the volume of transactions and level of on-line

penetration is low, with merely 0.2 per cent of all sales made on-line. However, Austrade estimates that this will increase four-fold by 2004. Business-to-business e-commerce is also in its infancy, although the largest Spanish firms have begun to take advantage of it. It is expected that approximately 90 per cent of Spain's e-commerce will eventually be conducted in this way.

The rapidly burgeoning ICT market in Spain provides a number of potential opportunities for Australian businesses in:

- e-commerce;
- e-government;
- e-learning;
- telecommunications (infrastructure, components, network expertise);
- security related technologies;
- packaged software solutions; and
- smartcard technology.

While Australia currently has a low ICT profile in Spain, attending trade fairs, such as 'Portal Point—Salón Internacional de Internet' in Barcelona, can help to raise market awareness of Australian products and services. Firms entering the e-commerce market should also consider participating in value chain networks that integrate suppliers and distributors, environment support networks, and global e-commerce networks. Some associations that can provide links with the Spanish ICT sector and open potential trade opportunities are Asociación Nacional de Industrias Electrónicas y de Telecomunicaciones (National Association of Electronic Industries and Telecommunications), Asociación Española de Comercio Electrónico (Spanish Association of Electronic Commerce) and Asociación Española de Empresas de Tecnologías de la Información (Spanish Association of Information Technology Companies).

A Memorandum of Understanding to encourage greater cooperation between Australia and Spain in ICT is currently being negotiated and its anticipated conclusion in 2003 should benefit Australian ICT exporters. Australia is ranked second in the OECD nations in ICT spending and, according to the EIU, is second only to the United States in 'e-readiness'.

On line: Australian Information Industries Association: www.aiia.com.au
Asociación Española de Comercio Electrónico: www.aece.org
Asociación Española de Empresas de Tecnologías de la Información: www.sedisi.es
Portal Point: www.portalpoint.org/portalpoint.htm

CASE STUDY: POLTECH INTERNATIONAL LTD

Already selling its products in the United States, United Kingdom, the Netherlands, United Arab Emirates, China, Hong Kong and Brazil, Poltech entered the Spanish market in late-2001, after winning a 12-month trial contract to supply ten speed camera systems to Spanish police in Madrid.



The product offering for the initial contract is Poltech's digital portable speed camera LaserCam NT, combining the very latest in digital image capture with laser speed detection and the capacity to target vehicles manually or automatically. Initial feedback from the current trials indicate that the Australian product is out-performing its main competitor, the Italian Sodi Scientifica company, with its superior ability to accurately detect vehicle speed in all weather conditions. The potential outcome of the trial is a contract to replace the bulk of the Spanish police speed cameras, a deal worth around A\$3–5 million.

The critical success factor in Poltech landing the contract was the relationship established with local company, ETEL-88, as national distributor for Poltech's products. Market research undertaken by Poltech identified ETEL-88 as the preferred supplier for the defence and civil industry. The Spanish company had a sound customer base, contacts in the areas of government, military, aeronautics and space industry, and strong links in the Latin American market. The company's links proved invaluable in obtaining broad market exposure for Poltech's products and bringing the LaserCam NT to the attention of the Madrid Police.

Austrade's Madrid office facilitated the official linking of Poltech with ETEL-88, organising an official launch which lent considerable credibility and stature to the deal. Poltech's Managing Director, Mr Michael Walsh, said 'The efforts of Austrade in bringing all the relevant parties together has opened the way for Poltech to participate in some significant business opportunities about to emerge in Spain.'

Maintaining a good relationship with the supplier has, at times, been difficult, due to cultural differences such as language, work hours and approaches to time that have on occasions hindered effective communication' Mr Walsh commented. However, Poltech believes it is essential to nurture their relationship with ETEL-88, and to this end makes visits to Spain four times a year and maintains fortnightly contact by phone. The company also regards maintaining a high degree of work professionalism as important, because good representation is reliant upon respect, trust and honesty, and '... in the end you are only as good as your agent on the ground.'

Poltech expects their Spanish experience to lead to further contracts in Europe for the manufacture and supply of a range of law enforcement and security products and services, including red light cameras, speed cameras, infringement systems and other digital imaging technology.

On line: www.poltech.com.au



Overview

Spain is the world's third largest producer of wine, producing 45,572 hectolitres in 2000. Spanish wines are classified into 6 broad categories depending on the year of harvest and vintage quality: table, new, young, crianza, reserva and gran reserva wines. The best-known and highest quality red wines come from the Rioja region. The most common grape varieties include Tempranillo, Garnacha, Monastrell and Carineña. While Spaniards traditionally prefer red wine, they are also lovers of seafood, and white wines are increasing in popularity. The most popular whites come from the Ribera del Duero and Penedes region and common grape varieties are Airé, Viura, Albariño and Verdelho (spelt Verdejo in Spain). It is important to note that Spanish consumers recognise wine by the area it is produced in, its Designation of Origin (DO — the equivalent of France's 'appellations contrôlées'), rather than by grape variety.

Total wine sales in Spain were worth €2.5 billion in 2000, representing a 57.6 per cent increase in the value of net sales from 1995. Average per capita consumption is 32.7 litres, compared to an Australian average of 19 litres and 60 litres in France.

Wine is generally popular among Spaniards, although changing incomes, tastes and an increasingly cosmopolitan outlook have altered traditional consumption patterns over recent years. Loyalty to locally produced wines is slowly being diffused, with an increasingly adventurous and experimental attitude. Consumption per capita is generally decreasing. However, the quality of wine being consumed is improving. In place of the traditional table wine, DO wines now represent 35 per cent of total consumption, double the comparative figure ten years ago.

The retail sector moves approximately 50 per cent of market volume, with the remainder sold through the hotel, retail and catering sectors. Approximately 52 per cent of total retail wine sales were made through supermarkets and hypermarkets. Other wine retailers include bodegas (mainstream wine retailers), vinotecas (specialist outlets), small convenience stores and department stores, eg. El Corte Inglés. Hotels and restaurants obtain 80 per cent of their wine supplies from wholesalers, nine per cent directly from producers and five per cent from supermarkets

Australia in the Spanish market

While there are a number of specialist outlets and wine shops in Madrid and Barcelona that sell a small selection, and some top-level restaurants, hotels and importers are starting to carry them, Australian wines are still virtually unknown in Spain. In 2002 Australia exported just under 60,000 litres of wine directly to Spain, accounting for just 0.01 per cent of Australia's total wine exports.

The main challenge for Australian exporters is to raise the profile of Australian wines and encourage the consumer to try new products. Promotional activities, in-store tasting, limited time price discounts and trade fairs, such as Salon de Gourmets and Alimentaria 2004, are some ways of encouraging Spaniards to experiment with Australian wines. Targeting Spain's enormous tourist market, of over 50 million tourists per year, is another way of increasing

CASE STUDY: IMEXA

NSW-based wine exporter, IMEXA, is taking on the world's third largest producer of wine — Spain. In their first year of operation IMEXA exported around 690 cases of wine to the region, and just three years later exports have more than tripled, with no signs of slowing down.

In early 1999, IMEXA was contacted by a Spanish importer wanting to find out more about Australian wines. IMEXA's Managing Director, Mr Joseph Ferrer, was interested in testing out the Spanish market and organised to send samples and promotional material from 10 Australian wine labels. 'From this one contact, business has boomed and now exporting is the lifeblood of our organisation,' said Mr Ferrer. 'We carry 14 labels and the number of cases we export is increasing every year.'



Principally directing its exports to high-class restaurants and specialty shops, IMEXA exports a variety of Australian labels such as Leeuwin Estate, Cullen, Clarendon Hill, Howard Park, Petaluma, Craiglee and Tower Estate. Mr Ferrer said the company's success came from targeting a niche market and undertaking extensive promotion.

'Traditionally consumers of local product, the next generation of Spanish wine drinkers are more willing to sample wines from all over the world,' said Mr Ferrer, 'so it is important to raise the awareness of Australian wines.'

IMEXA found that, while Spanish levels of knowledge about the Australian wine industry were not necessarily high, Spaniards were curious to know more. Attending the Alimentaria food and beverages exhibition was an essential part of IMEXA's promotional strategy. The biannual show, the biggest trade fair in Spain, allowed IMEXA to offer tastings to an influential group from the wine industry. IMEXA has also received continued support from Austrade's Madrid office and the Australian Embassy.

Mr Ferrer admits that while trading with Spain can be a challenge initially, it is worthwhile. 'People need to be aware that in Spain there is no direct route, things take longer — you have to be patient,' Mr Ferrer said. Australian businesses need to be conscious of cultural differences such as the use of formalities, different work-hours, and the more relaxed attitude to time.

For IMEXA, a one-man company with small cash flow, the 90–120 day credit period has been particularly challenging. Mr Ferrer recommends that other Australian companies considering exporting to Spain start off small and minimise their exposure to risks through insurance.

Looking to the future, Mr Ferrer believes that gaining access to the market of the world's third largest producer of wine has opened the gateway to other European markets. There are many export opportunities in the Spanish market for shiraz, semillon and wine such as botrytis and exotic whites, including rieslings. With exports expected to increase ten fold over the next five years, the future looks rosy for IMEXA.

market penetration as most tourists come from countries already familiar with Australian wines, such as the United Kingdom and Germany.

Although the Spanish wine market is very competitive, with locally produced wine accounting for 70 per cent of domestic consumption and imports from Portugal, France and Italy, there are good opportunities for Australian businesses to develop niche markets in premium quality wines to target the high end of the market, particularly the retail, hotel and catering sectors. Other openings may develop around wines previously unknown or not traditionally produced in Spain, such as Shiraz and red varietals and high-quality white wine.

While there are no quotas or excise tax on wine imports, shipments of wine greater than 3,000 litres require a certificate of importation, AGRIM, prior to shipment. The import tariff per 100 litres of wine is currently €13.10 for still bottled wine and €32.0 for sparkling wine. Certain information may also be required for labelling, documentation and wine analysis. It is best to check specific requirements with local importers.

On line: Alimentaria 2004: www.alimentaria.com
Salon de Gourmets: www.gourmets.net



SECTION 4
BUSINESS RESOURCES

If you are considering taking your commercial interest in Spain further, the Australian Government is well placed to assist in dealing with foreign governments, providing market analysis and planning advice, and, once established, on-going support for Australians' trading and investment interests. A network of industry associations can also assist with advice.

COMMONWEALTH GOVERNMENT SERVICES

Department of Foreign Affairs and Trade (DFAT)

The Australian Government's integrated trade policy has as its main goal the creation of new and more open markets for exports that will contribute to growth in Australia's economy, employment and standard of living. DFAT, in coordination with Austrade, provides assistance to Australian businesses to access overseas markets. It is able to provide details of Australian foreign and trade policies.

DFAT has offices located in all Australian capital cities and manages a network of more than 80 overseas posts. In close cooperation with Austrade, the Australian Embassy in Madrid promotes Australia as a business destination and Australian business capability, know-how and expertise to Spain's commercial sector. This active public diplomacy program, including with provision of practical information in the Spanish language through the Embassy's website and promotion of Australian cultural exports, aims to facilitate Spanish awareness of Australia as a stable, reliable and innovative business partner.

DFAT also leads efforts to improve access to the Spanish market by seeking the removal of market access barriers. Support is provided for sectoral interests, as well as for Australian firms on an individual basis. The Australian Embassy in Madrid and the Australian Mission to the European Union in Brussels have crucial roles in this regard.

The Australian Embassy in Madrid can assist with 'opening the door' for Australian companies to Spanish Government bodies and decision-makers. DFAT also provides on-line economic and political information on Spain to interested Australian companies.

In conjunction with other relevant agencies, DFAT has negotiated bilateral agreements which further assist the bilateral commercial relationship. Australia signed a Double Taxation Agreement with Spain in 1992. Under the bilateral Travel Facilitation Arrangement signed by both countries in November 1998, with effect from 28 July 2000, Australian's travelling to Spain for business meetings and/or holidays do not require a visa for stays of up to 90 days. Discussions are underway on an Information and Communications Technologies Cooperation Memorandum of Understanding and a Working Holiday Makers Arrangement to permit young Australians and Spaniards to take working holidays in each other's country.

Apart from the Embassy in Madrid, Australia is also represented by Honorary Consuls in Barcelona and Seville.

On line: Department of Foreign Affairs and Trade: www.dfat.gov.au
Australian Embassy Madrid: www.australiaspain.com

Austrade

The Australian Trade Commission (Austrade) is the Federal Government agency that helps Australian companies win overseas business for their products and services by reducing the time, cost and risk involved in selecting, entering and developing international markets.

Austrade's mission is to contribute to community wealth by helping more Australians succeed in export and international business.

Austrade is represented in 109 locations in 61 countries, including an extensive domestic network throughout Australia. Austrade offers practical advice, market intelligence and ongoing support (including financial) to Australian businesses looking to develop international markets. Austrade also provides advice and guidance on Australian overseas investment and joint venture opportunities, as well as helping put Australian businesses in contact with potential overseas investors. Austrade maintains an office in Madrid, headed by a Trade Commissioner. The types of services the office can offer include:

- practical export information and advice;
- identification of Spanish business opportunities;
- on-the-ground exporting support including making appointments, organising events, arranging publicity and assisting with logistics and language;
- assistance with participation in trade exhibitions, business missions and other promotional events;
- identification of and introductions to potential Spanish business partners and buyers; and
- strategic export planning and research services.

In Spain, Austrade has assisted many companies, from a range of market segments, to successfully enter the market. Austrade is particularly active in the information technology, telecommunications, education, marine, agribusiness and biotechnology sectors.

Austrade also administers the Export Market Development Grants (EMDG) scheme, which grants over A\$130 million each year to small to medium sized Australian exporters and potential exporters. The EMDG scheme provides assistance to small and medium Australian exporters committed to, and capable of, seeking out and developing export business by repaying part of their promotional expenses.

On line: Austrade: www.austrade.gov.au

Invest Australia

Invest Australia is Australia's national inward investment agency, responsible for attracting productive FDI into Australia. It promotes Australia as an internationally competitive investment destination and provides foreign investors with professional advisory services and programs to facilitate their investments in Australia. Working in partnership with business and government, it helps Australian companies find strategic foreign partners and attract foreign investment to meet their development needs. In the past five years Invest Australia has helped a wide range of international businesses invest in Australia and is currently working with companies on projects with potential investment in Australia of more than A\$50 billion.

Invest Australia seeks to encourage international firms to locate their regional headquarters and operating centres in Australia to service Australia and the Asia Pacific region. It provides information on Australian industry capabilities, skills availability, research and development capacities, infrastructure, business costs and the range of relevant government

assistance programs. It can also advise on investment regulations, tax matters and intellectual property issues.

Invest Australia has investment advisory specialists in 14 locations around the world, including New York, London, Paris, Frankfurt, Hong Kong, Singapore and Tokyo, to provide investors with on-the-ground support and free investment advice. Its industry specialists also work in Australia to advise investors on the benefits of investing in Australia's key industries.

On line: Invest Australia: www.investaustralia.gov.au

Export Finance and Insurance Corporation (EFIC)

EFIC is Australia's export credit agency providing a range of export credit insurance and finance services that help expand and diversify Australian exports, develop new markets and facilitate investments by Australian companies overseas. In 2001–02, EFIC supported A\$7.2 billion worth of exports to 171 countries, including Spain.

The Credit Insurance Group provides short-term export credit insurance to Australian exporters and banks against non-payment by overseas buyers or overseas banks in respect of Australian exports.

The Export Finance Group provides medium- to long-term finance facilities to the buyers of Australian exports, or to their financiers, to assist with the purchase of capital goods and services exports. EFIC also offers political risk insurance to protect both investors and lenders against incurring financial losses arising from political events.

Over the past two years, EFIC provided finance and insurance for exports to Spain valued at over A\$50 million. The transactions vary in size and include all sectors; from primary products such as wool, meat and iron to manufactured products like wine, clothing and machinery.

On line: EFIC: www.efic.gov.au

Broader Commonwealth Government Services

The Foreign Affairs and Trade Portfolio is not alone in the promotion of Australian commercial interest abroad — other Australian Commonwealth Government departments and agencies can also assist. Exporters and investors should investigate the services and advice provided by such entities as the Australian Quarantine and Inspection Service, the Department of Agriculture, Fisheries and Forestry Australia, the Department of Industry, Tourism and Resources, Department of Education, Science and Training, and Australian Education International.

On line: Australian Commonwealth Government Information: www.fed.gov.au
Australian Education International: www.aei.detya.gov.au
Australian Quarantine and Inspection Service: www.aqis.gov.au
Department of Agriculture, Fisheries and Forestry Australia: www.affa.gov.au
Department of Education, Science and Training: www.dest.gov.au
Department of Industry, Tourism and Resources: www.industry.gov.au

STATE AND TERRITORY GOVERNMENT SERVICES

State and Territory governments also offer services to assist firms based in their states to export. Federal, state and territory governments coordinate their programs, so they are able to support each other and use trade promotion resources as effectively as possible.

On line: ACT Chief Minister's Department: www.act.gov.au/cmd
Business Gateway: www.business.act.gov.au
NSW Department of State and Regional Development: www.business.nsw.gov.au
Northern Territory Department of Business, Industry and Resource Development: www.nt.gov.au
Queensland Department of State Development: www.statedevelopment.qld.gov.au
Office of Economic Development (South Australia): www.dit.sa.gov.au
Tasmania Department of State Development: www.dsd.tas.gov.au
Victoria Department of State and Regional Development: www.dsr.d.vic.gov.au
Western Australia Department of Industry and Technology: www.indtech.wa.gov.au

SPANISH GOVERNMENT SERVICES

A number of departments and agencies of the Spanish Government are active in promoting Spain as a market for trade and investment. Much of the information is provided in Spanish, but some is in English. 'The Guide to Business in Spain' provides a comprehensive, English-language, description of the Spanish economy, its commercial, tax and labour regulations, as well as other relevant issues for foreign companies willing to invest in Spain. Prepared by the Instituto Espanol de Comercio Exterior, the Guide is accessible from the 'Investinspain' website — www.investinspain.org.

The Instituto Espanol de Comercio Exterior (ICEX) is Spain's Institute for Foreign Trade (its Australian equivalent would be Austrade). It is a public entity and exists to assist Spanish companies develop their export sales. To this end, ICEX assists in designing and carrying out promotion and investment programs and holds published information about Spanish businesses and foreign markets. In order to carry out its work, ICEX uses its Economic and Commercial offices based overseas and its Regional and Territory Commercial Branches within Spain. In Australia, the Spanish Economic and Commercial office is based in Sydney.

The Department within the Ministry of Foreign Affairs in charge of external relations is the General Directorate for International Economic Relations (Dirección General de Relaciones Económicas Internacionales (REI)). The REI is responsible for coordination between government ministries involved in the promotion of foreign investment.

The Ministry of Economy is the relevant government department concerning trade and investment promotion. The General Directorate for Trade and Investment (Dirección General de Comercio e Inversiones) operates overseas through the Economic and Commercial Offices of the Embassies of Spain. The 'Investinspain' website, set up by the Directorate, provides comprehensive information about investing in Spain. Part of the Directorate's functions are to advise potential investors about the possibilities of setting up operations in Spain, and provide tailor-made reports on the questions that may arise when elaborating their investment plans, such as location strategies, financial aid available, tax and labour regulations and economic

trends. The Directorate can also organize meetings between potential investors and suitable suppliers, firms, associations and public sector institutions, and provide prospective investors with in-depth dossiers about industry sectors.

The Directorate also organizes seminars directed at the investment community and publishes a quarterly 'Investment News Spain' magazine.

The General Direction for International Economic Relations (*Relaciones Económicas Internacionales* — REI), in the Ministry of Foreign Affairs, is responsible for the coordination between government ministries involved in the promotion of foreign investment.

The Governments of the Autonomous Communities of Spain also have individual investment agencies. Contact details are available on the 'Investinspain' website. The Directorate can also provide additional information specific to individual inquiries.

On line: Secretaria De Estado de Comercio Y Turismo: www.mcx.es
Instituto Espanol De Comercio Exterior (ICEX): www.icex.es
Invest in Spain: www.investinspain.org
Ministry of the Economy: www.mineco.es

INDUSTRY ASSOCIATIONS

Spanish Chamber of Commerce

The Spanish Chamber of Commerce in Australia has been operating for over 25 years, and is committed to strengthening the trade and investment flows between Australia and Spain, but with particular emphasis on Spanish trade and investment into Australia.

The Chamber works closely with the Spanish Government Commercial Office, as well as with many other organisations that are interested in strengthening the commercial relationship between the two countries. Activities undertaken by the Chamber include the organisation of inbound trade missions, seminars and workshops on doing business with Spain, the distribution of timely information about the Spanish and Australian markets, and the answering of trade-related enquiries.

The Chamber's membership, drawn from throughout Australia, has access to the full support services of the Chamber. To keep members and other interested persons informed of the developments taking place in Spain and within the Chamber, the Chamber publishes a monthly newsletter that is distributed to over 2000 organizations and individuals.

In Spain, all businesses are required to belong to a Chamber of Commerce. Every Chamber of Commerce, and thus every business in Spain, is drawn together under the Consejo Superior de Camaras (the High Council of Chambers of Commerce), which is based in Madrid. The Consejo Superior actively promotes international trade and has English-speaking officers responsible for the Asia-Pacific, willing to assist in the development of bilateral trade. They can assist for example in the organisation of meetings of relevant business groups, trade promotion functions, and the provision of contact details for industry groups.

On line: Spanish Chamber of Commerce in Sydney: www.spanishchamber.org
Consejo Superior de Camaras: www.camaras.org

Australia Spain Business Association (ASBA)

ASBA was formed in 1993. The association aims to promote economic and commercial relations between Australia and Spain, as well as providing assistance to Australian businesses undertaking activities in Spain, and Spanish companies undertaking business in Australia. The association also provides a forum for business people who are interested in Australia and Spain, with meetings or seminars organised approximately every two months to permit the exchange of information and ideas. The ASBA currently has around 45 members, including Australian companies operating in or trading with Spain, Spanish companies operating in or trading with Australia, as well as Australians resident in Spain and Spaniards or other nationals who have resided in or travelled to Australia.

On line: ASBA: www.australiaspain.com

APPENDICES

TIPS FOR THE BUSINESS TRAVELLER

Spanish business etiquette is very similar to that in the rest of Western Europe and Australia. However, differences do exist. The following points may assist in developing more effective business relationships.

Titles

Address contacts by their titles, followed by their surnames — for example, the Spanish equivalent of Mr is Señor, Miss is Señorita and Mrs is Señora.

It is best to avoid using a person's first name unless the Spanish contact indicates otherwise. Spaniards generally use both their maternal and paternal surnames, although contacts should usually be addressed by the paternal surname only: e.g. Señor John Smith Wilson would be addressed as Señor Smith. The first surname is the paternal one. When addressing others in Spanish, follow Spanish business protocol by using the formal you ('Usted') mode of address unless invited to use the more informal 'tu'.

Working Week

Many Spanish companies open later, and have a longer lunch period and a later closing time, than their European and Australian counterparts. Smaller shops close for lunch at 2:00pm and re-open again from 5:00pm to 8:00pm. However, it has become more and more common for businesses to stay open through the traditional "siesta" hours and large department stores are open all day. Many middle to senior level managers, however, only break between 2:00pm and 3:00pm. Many businesses are also open on Saturday mornings. Banks generally operate 8:30am to 2:00pm Monday to Saturday, although banking hours differ during the summer months.

Australian visitors should also note that when a public holiday falls on a Tuesday or a Thursday, the preceding Monday or following Friday, respectively, is often declared a bridge (puente). Many people will be absent from the office over the bridge period. It is better to avoid business trips to Spain during the summer vacation months (particularly August, and to a lesser extent July). In this period, offices tend to operate with skeleton staff and work reduced hours, such as from 8:30am to 3:00pm.

Dress

Spaniards take pride in their personal appearance. Business dress is usually more conservative and formal than the Australian standard, with jacket and a tie the norm.

Meetings

Spaniards like to establish a personal relationship with business partners, and face-to-face meetings are beneficial. It is important to make visits, see projects and meet potential customers — phone calls and faxes alone will not generate business. Prior appointments are necessary and a minimum of a week's notice is customary. Phone answering machines are used less in Spain than Australia and are virtually non-existent in government departments.

Greetings

While Australians will note that many Spaniards will meet one another with a kiss on both cheeks, this is not appropriate for business contacts meeting for the first time. Instead, it is wisest to offer a handshake, and if a kiss is appropriate, the Spanish contact will initiate it.

Business Culture

Hierarchy and position play an important role in Spanish business culture. Take care to pursue any issues through the correct channels. As in Australia, many large corporations have a degree of bureaucracy and it is important that the decision-maker within a company is identified and targeted to ensure success.

Business Lunches

Lunch is the main meal of the day and business discussions and deals are often conducted during working lunches. These lunches can often last more than two to three hours. Dinner is a lighter meal, and often is not served until around 10:00 pm. The party which extends the invitation generally pays the bill.

Tipping

Almost all establishments include a service charge in the bill. However, it is still common to leave a tip - in restaurants a five to ten per cent tip is common. It is also normal to leave small change on the bar or cafe tables. The custom of tipping has extended to hotel porters, theatre ushers and taxi drivers, though in none of these cases is it obligatory.

Gifts

Gift-giving principles are essentially the same as in Australia, and thus gifts are not usually required in normal business situations. However, a small Australian token, such as a bottle of wine, is a good icebreaker for first meetings, but certainly not necessary.

Commercial Language

Increasing numbers of Spanish business people do speak English, but it is by no means universally understood in the commercial world. Many companies in Spain have staff with good English language skills, but an initial approach in Spanish is more effective. It would certainly be advantageous to be able to provide product literature and undertake negotiations in Spanish. An understanding of Spanish also opens doors to the large Latin American markets.

Regional Differences

Spain is a large and varied country, and many Spaniards tend to identify themselves with their particular region with its own variations in culture, habits and behaviour. It is wise to be alert to regional sensitivities and differences. For instance, some areas in Spain such as Catalonia, Galicia and the Basque country, have their own regional language.

TRAVELLING TO AND WITHIN SPAIN

Travel from Australia

There are no direct air links to Spain from Australia. Flights transit either Asian hubs (e.g. Singapore, Bangkok) or other European destinations, such as London or Frankfurt, for

connections to Spain. Thanks to Spain's developed tourism infrastructure, the country is well serviced by around 30 airports open to international traffic, including Madrid (Barajas), Barcelona, Bilbao, Seville, Valencia and Zaragoza.

Travel within Spain

Spain's major cities are generally some distance apart. Air travel is by far the most convenient and efficient way to travel between them. However, a good network of highways also links major cities.

The Spanish state-operated (RENFE) railway network consists of over 15,000 kilometres of tracks, covering the entire country. Currently, travel by rail in Spain is generally slow, although there is an efficient high-speed train system between Madrid and Seville. A second, even faster high speed train operates between Madrid and Lerida/Lleida and will be extended to include Madrid-Barcelona in 2004, with other routes to follow.

Public transport within Spain's larger cities is widely used and inexpensive. Taxis in the major cities are readily available and reasonably priced. Rates and the various supplements are usually displayed in all licensed taxis. Passengers should ensure that the taxi-meter is turned on. The underground metro system is regular, well-developed and efficient.

Visa and Passport Information

Australians wishing to visit Spain on business (other than paid employment) do not require a visa in their passport, unless the period of their stay is longer than 90 days (three months). Spain, along with 14 other European countries, is party to the European Union Schengen Convention, which provides visa free movement for Australians within the Schengen area for a cumulative total of 90 days during a six month period. The Schengen countries are: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Sweden and Spain. However, visitors are required to present a current passport and must have their passport stamped within 72 hours of entry to the Schengen states. Australian passport holders should consult the nearest Spanish Embassy or Consulate for the latest information on visa requirements prior to travel.

Currency

Euro (€)

€1 = A\$0.55 (at time of printing)

Note: Before Spain's conversion to the euro in 2002, Spain's national currency was the Peseta. (€1= 166.386 Pesetas).

Weights and Measures

Spain uses the metric system for all weights and measures.

Electricity

220-volts AC, 50 hertz. However, some areas still have a 110-volt supply.

Communications

Spain has a well-developed communications network, although in some areas, services can be patchy. Spain's international country telephone dialling code is 34.

Time Zone

Spain is in the Central European time zone. Standard time is one hour ahead of Greenwich Mean Time (GMT). This puts Spain generally 8 hours behind Australian Eastern Standard Time and 10 hours behind Australian Eastern Summer Time. The Canary Islands are on GMT.

Public Holidays

Generally: 1 January—New Year's Day; 6 January—Epiphany; 19 March—San José (can be replaced with a local holiday); Easter—Holy Thursday and Good Friday; 1 May—Labour Day; 15 August—Feast of the Assumption; 12 October—National Day; 1 November—All Saints' Day; 6 December—Constitution Day; 8 December—Immaculate Conception; 25 December—Christmas Day. In addition, there are often local holidays which vary by region.

Insurance

Australian citizens are strongly advised to take out appropriate travel and health insurance for the duration of their overseas travel prior to departing Australia. Travellers should check with their insurer to make sure that their policy meets their needs.

Security

Australian visitors to Spain should maintain a high level of personal security awareness. Australian travellers should consult the website of the Department of Foreign Affairs and Trade (www.dfat.gov.au) for the latest consular travel advice for Spain.

Push for Basque independence

Since the late 1960s, the extremist *Euskadi ta Askatsuna* group (Basque Homeland and Liberty, known as 'ETA') has been campaigning for the independence of the Basque region (including Basque territory, the neighbouring Navarra region and further territory with traditional Basque links across the French border). ETA has engaged in terrorist activities to draw attention to its campaign, resulting in the deaths of close to 900 people.

Popular resentment against the group is strong. All political parties in Spain, with the exception of Batasuna (widely regarded as the political arm of ETA), have condemned the actions of ETA. In 2002, moves were initiated to ban Batasuna. The Government has recently arrested a number of key members of the group. Nevertheless, ETA shows no sign of relenting and progress towards a long-term settlement in the region looks elusive. The situation in the Basque Country is likely to remain unstable for the foreseeable future.

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FURTHER READING

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Websites

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Department of Foreign Affairs and Trade: www.dfat.gov.au

Ministry of Agriculture, Fisheries and Food (of Spain): www.mapya.es

Ministry of Economy of Spain: www.mineco.es

Invest in Spain: www.investinspain.org

Economist Intelligence Unit: www.viewswire.com

ABBREVIATIONS AND ACRONYMS

ANU	Australian National University
AQIS	Australian Quarantine and Inspection Service
Austrade	The Australian Trade Commission
CAP	Common Agriculture Policy
CCP	Common Commercial Policy
DFAT	Department of Foreign Affairs and Trad
DIMIA	Department of Immigration and Multicultural and Indigenous Affairs
EFIC	Export Finance and Insurance Corporation
EIU	Economist Intelligence Unit
ELICOS	English Language Intensive Courses for Overseas Students
EMDG	Export Market Development Scheme
EMU	Economic and Monetary Union
ETMs	Elaborately Transformed Manufactures
EU	European Union
FDI	Foreign Direct Investment
GATT	General Agreement on Tariffs and Trade
IMF	International Monetary Fund
NATO	North Atlantic Treaty Organisation
OECD	Organisation for Economic Cooperation and Development