

Basque Country^{BC}

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United it stands

The Basque Country has long been an industrial hub which has thrived while maintaining a unique regional identity. In recent years, Basques have based much of their development on unity and innovation. As their region emerges from the Spanish economic crisis and enters a new era of peace, they aim to become a global force in their own right.

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A creative people, a hi-tech future

Writer: Guy Hedgecoe

OVERVIEW As the curtain opens on a new era of peace, the Basque Country is determined to keep industrialising its resilient economy and reinforce its status as a hotbed of innovation, education and culture

It may be a small region of only two million inhabitants, but the Basque Country represents many different things to different people. Its rich rural life and wealth of traditions reflect its status as home to one of Europe’s oldest peoples, who speak the enigmatic Euskara language. Meanwhile, its factories and businesses are testament to its history as an industrial heartland. And yet, the extravagant design of the Guggenheim art museum in Bilbao offers yet another view: a region that cherishes culture and which is prepared to launch itself into the future. Even pinning down the exact geography of the Basque Country can be difficult. Many of the region’s nationalists regard the territory of Navarre and the three Basque provinces in south-western France all as part of what they call Euskal Herria, or the Basque homeland. But only the three provinces in Spanish territory that sit between the Pyrenees and the Bay of Biscay – Alava, Biscay and Gipuzkoa – form

the autonomous community of the Basque Country, the focus of this report. The region has provided some of Spanish history’s most illustrious figures, such as circumnavigator Juan Sebastian Elcano, Jesuit founder Ignatius of Loyola and the philosopher Miguel de Unamuno. But down the centuries, the Basques have had a complex relationship with the rest of Spain. In medieval times they enjoyed special status, being allowed to uphold many of their ancient laws in return for respecting the sovereignty of the Spanish monarch. Centuries later, during the centralising dictatorship of Francisco Franco, Basque autonomy was reined in and its culture was repressed, a policy that would both provoke a resurgence of nationalist pride and have violent repercussions.

Three years of peace
In the democratic era, the Basque region’s autonomy has been restored, although not as much as many – both moderates and extrem-

ists – would like. From the late 1960s, the separatist group Eta waged a terrorist campaign for an independent state, killing over 800 people and deeply dividing Basque society. Police action and legal pressures would help weaken Eta until it declared a definitive ceasefire in October 2011, a move former UN Secretary-General Kofi Annan described as “a victory for dialogue and peace”. Three years on from that landmark development, the region has adjusted to a new climate of peace which has benefitted not only ordinary Basques, but also tourism and other industries. “This time of peace has to be an opportunity for the development of the Basque economy,” says Inigo Urkullu, the Basque regional premier, or lehendakari, of the moderate Basque Nationalist Party (PNV). “If we were able to grow during a time of violence, now we must be able to grow even more, especially once we get over the economic crisis.” That crisis has hit Basques less hard than the

rest of Spain. With an unemployment rate that is well below the national average – and around half that of Andalusia – and an industrial sector which in many cases has successfully reached abroad during Spain’s downturn, Urkullu’s optimism seems justified. The region has long been famous for its ability to innovate and this trait can be seen in the business sphere. Many smaller Basque firms have pooled their resources by forming cooperatives and taking part in clusters. The region is also home to corporate giants, such as BBVA in banking, Iberdrola in energy and SENER in engineering and construction, all of which have relied heavily on new ideas to develop their business.

A creative brand
This creativity makes the Basque Country “a living lab of innovation and strategy development,” according to Joseba Jauregizar, who as managing director of Tecnalia, an alliance of technology firms, is at the heart of the Basque Country’s efforts to expand its industry. Once one of the world’s biggest iron ore producers, the region is now renowned for its diversification into areas such as renewable energy, nanotechnology and biotechnology and industry currently represents a quarter of its GDP. The Basque pioneering spirit is not confined to business. It can be seen in the earthy sculptures of Eduardo Chillida, the eerie “painted forest” of artist Agustin Ibarrola, the experimental novels of Bernardo Atxaga and, perhaps most famously, in the envelope-pushing

dishes of its chefs, who have taken global haute cuisine by storm. Such cultural energy, allied to the region’s business character, made the creation last year of a “Basque Country brand” a logical step, even though it ruffled the feathers of those in Madrid who are leading the equivalent “Spanish brand”. Given its impressive record on employment, technology and education, the Basque Country can approach the social, economic and environmental targets the EU has set out for its members in the Europe 2020 strategy with confidence. Another challenge for the region is to consolidate the peace that arrived in 2011 and leave the trauma of the Spanish economic crisis behind. “The Basque tradition is that desire to offer an excellent product and this is something that goes

“This time of peace has to be an economic opportunity”

Inigo Urkullu
President of the Basque Country

right back to the traditional small businesses here – the local workshop,” says Jose Manuel Orcasitas, CEO of coach manufacturer Irizar. “Now, in modern times, the region’s big focus is on innovation, so providing a high-quality result is what it is all about.”

INNOVATION

Robust investment in research and development has become crucial to the region’s quest to compete. At just over two percent of GDP, Basque investment in this area is well above that of Spain as a whole and higher than the EU average. Education is a key part of that strategy, with 43 percent of young Basques holding university qualifications. “We have had to be very competitive in order to survive,” points out the regional premier, Inigo Urkullu. While the backing of different regional governments for research centres and new technology projects has been fundamental in the innovation drive, so too has the involvement of the private sector. Perhaps the most visible example of Basques’ willingness to embrace innovation is Bilbao’s Guggenheim art museum, whose design, by Canadian-

born architect Frank Gehry, has not only awed visitors but also helped transform the city.

IN NUMBERS

2,500
Researchers working on Basque industrial policy in the public and private sector

26,500
People employed in the life sciences sector

11
Strategic industrial clusters have been set up in the Basque Country

The Basque people



The history of the Basque people has been the subject of many, later discredited, theories down the centuries, including the notion that the Basque people are descended from Turks or Magyars, or that the Basque language, Euskara, was once spoken across Europe. One more outlandish theory is that Noah was Basque. The roots of the Basque people remain shrouded in mystery, and as anthropologist Joseba Zulaika wrote, “Basque identity is founded on an acute sense of their enigmatic past.”

Euskara, however, has provided some clues to Basque history. Its utter distinction from other Indo-European tongues reinforces the idea that the Basques who settled in the north of the Iberian Peninsula were among the first inhabitants of western Europe.

The territory known as Vasconia, a precursor to the present-day Basque Country, existed in the middle ages in the western Pyrenees, although it would be fragmented and re-shaped down the centuries due to pressures from France, Castile and Aragon. In the late 19th century, a young Biscayan called Sabino Arana became the driving force behind modern Basque nationalism, helping standardise the Euskara language and bolstering the notion that the region’s people were of a separate race from the French and Spanish. However, Arana’s more extreme ideas have since been disregarded, especially as the arrival of immigrants has significantly altered the Basque region’s ethnic make-up. Many of today’s inhabitants of the Basque Country come from North Africa, South America and Eastern Europe.

One thing has not changed over the centuries: Basques are known for being industrious, reliable and honourable. The Spanish saying “palabra de vasco”, or “word of a Basque”, is still used to describe the solemnity of a promise.

Success the Basque way

INTERVIEW President of the Basque Country since the end of 2012, Inigo Urkullu is building on the region’s strong industrial base, internationalising its economy and creating an economic powerhouse within Europe, while staying true to his political ideals of social cohesion

How has the Basque Country changed since the days of Eta?

Our political, social and economic history has been shaped by the phenomenon of terrorism. Fortunately, there were Basque companies, even during the most difficult time of the years of terrorism, who in spite of the threats maintained their commitment to stay here. What this meant was that despite the violence, the Basque economy grew. This very committed business class assumed the risk, and because of that, foreign investment was still possible. There is no comparison between the current situation and the unfortunate situation we lived through in the past. This time of peace has to be an opportunity for the evolution of the Basque economy. If we were able to grow during a time of violence, now we are at peace we must be able to grow even more, especially once we get over the economic crisis. On top of our own industrial and economic culture, we now offer to all types of investors a guarantee of peace and calm and absolutely normal business conditions.

What was your reaction to the “no” result of the Scottish independence referendum? I would express my favourable opinion on the fact that the process was legitimate and it was possible for Scotland to freely decide its political future. We should value that at a time of voter apathy we have witnessed an act of political legitimisation. There was massive, unprecedented voter participation. For the first time in the history of the European Union a stateless nation has been able to decide if it will participate in the European Union within a state or by itself with the same conditions as the rest of the states. The right to consult and to



be consulted and to decide the future is not a political idea. It is a democratic principle that citizens can choose.

What is your outlook for the Basque economy?

Our estimates indicate that this year the Basque economy will grow by one percent and in 2015 it will grow 1.7 percent. This is due in great part to the great effort that our industry is making in innovating and in going out and finding new markets. We have a diversified and internationalised industrial sector that spans areas such as energy, aeronautics, machine tools and automotive. We want to consolidate the size of industry to 25 percent of our GDP. We are placing priority on innovation and knowledge: by 2020 we want to invest €10 billion in R&D.

What is your government’s economic strategy?

Since the beginning of our administration our intention has been to preserve social welfare, education, health and social policy because our model of society is based on

“We stand for an economic model that combines rigour, investment stimulus, job creation and social welfare”

social cohesion. We stand for an economic model that combines rigour, investment stimulus, job creation and social welfare. We believe that this is the right way to return to growth in a sustainable and cohesive manner.

How would you like the Basque Country to be perceived?

Globalisation doesn’t mean we have to lose our individuality. The Basques have their own identity and their own culture. I hope that the citizens of the world will begin to get to know us for the positives, and not for the negatives from the past which have been unfairly associated with us as a people.

 **READ THE FULL Q&A**
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The Basque Country: a global brand

In a bid to raise the region’s profile on the international stage, the Basque government has earmarked €105 million over

the next three years for the launch of its ‘Basque Country’ brand. Outlining the plan in April 2014, the region’s president, Inigo Urkullu, said his government will help to internationalise more than 1,500 companies in the period 2014-2016, set up 200 centres across 25 countries in a “global Basque network”, as well as bring four major

international events to the Basque Country, one of which will be in collaboration with the United Nations. “We need to gain influence,” said Marian Elorza, the Basque secretary of external affairs, who added that the region plans to forge alliances with at least eight others, including Aquitaine, Flanders, Bavaria, Queretaro and Jiangsu.



“All iron”

Bilbao’s Athletic Club, one of Spain’s most successful football teams, was formed in 1898 due to influx of British engineers and businesspeople who came to build railways and steelworks.

The club’s origins can still be heard on match days when fans chant “Aliron”, a word that derives from “all iron”, which was shouted by miners when they discovered a seam of good ore.

From heavy industry to hi-tech: the Basque-UK connection

Writer: James Badcock

UK RELATIONS Basque businesses have largely weathered the economic crisis in Spain by expanding further into international markets. This is a good time, then, to rediscover the region’s close historical relationship with the UK



Thanks to its “special relationship” with Britain’s Rolls Royce, Basque turbine manufacturer ITP is confident of its future

Beyond the jokes about shared wet weather and the football connection with Basque teams such as Athletic Bilbao having British origins, there is a long and deep-rooted commercial relationship between the UK and the Basque Country. Formal commercial links go back to 1474, when a trade charter was signed by King Edward IV and reciprocated in Guernica whereby Basque merchants could freely trade with the protection of the Crown in England, and English merchants could do likewise in the Basque Country. But the explosion in UK-Basque connections came after the industrial revolution. British steel com-

panies were interested in the region’s iron ore reserves, building railways to aid exports from Basque ports. Then local businessmen realised that by importing British coking coal they could develop a Basque steel industry and joint ventures flourished.

The conflicts of the 20th century made the connection even deeper. “A Basque ship owner by the name of Sir Ramon de la Sota put his merchant fleet at the disposal of the British Crown during the First World War, and was knighted in return for his services, and that link continues,” says Derek Doyle, the UK consul in Bilbao. Following the bombing of Guernica during the Spanish Civil War, 4,000 children from the Basque Country were evacuated to the UK.

“Basically, everything that triumphed in Britain in the early 20th century triumphed over here around 30 years later. A steel and iron industry developed, as did shipbuilding. Our first steel ships were British,” says Jose Angel Corres, chairman of Bilbao’s chamber of commerce. Now cooperation is focussed on more technological sectors, such as aeronautics. A partnership between Britain’s Rolls Royce and Basque engineering firm SENER created ITP, whose CEO Ignacio Mataix is confident of the future thanks to this “special relationship”. He says that “50 percent of future engines built to fly will have an ITP turbine inside,” owing to Rolls Royce’s 50 percent market share. Energy is also a key sector in the region and power giant Iberdrola is a good example of how Basque business has internationalised in recent years. CEO Ignacio Galan recently said that Iberdrola is now “more British, more American and more Mexican than it is Spanish”, while announcing that 41 percent of the company’s planned €9 billion investment in 2015 will be in the UK.

For Jorge Unda, managing director of engineering firm SENER, opening a UK branch could serve as a stepping stone before crossing the Atlantic. “If you want to get into the US market from Spain, it’s very difficult. Our historic relationship with British companies will allow us to arrive in the US already being ‘British’.”

A DIPLOMAT’S VIEW



Derek Doyle
British consul and senior UK Trade & Investment adviser

As well as being the UK government’s diplomatic representative in the Basque Country and Northern Spain, Derek Doyle is the senior trade and investment adviser at the British consulate in Bilbao. His remit is to promote and protect British business interests while also being alert to new opportunities with respect to inward investment.


Charting trade and industrial relations between the UK and the region that go back 500 years, Doyle believes British companies should seize on positive Basque percep-

tions: “I think we have a privileged position with respect to our relationship because we have all that tradition, all that historic connection, and at the end of the day we are liked and we are admired so we need to take advantage of that.” Doyle believes that the Basque Country’s business culture and the solid support the private sector receives from the region’s government have brought about a real success story. He cites the per-capita GDP of around €30,000, the highest standard of living in Spain. Now that the terrorist violence of

Eta has ended, the British diplomat believes that the region is ready to really take off. “The violence dis-

“Britain is admired here, so we need to take advantage of that”

torted the picture; there were a lot of important things going on that were missed.”

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Powering British development

Bilbao-based energy company Iberdrola is teaming up with Scottish Power in a major offshore wind power project in the North Sea. Planning permission was granted in June to allow work to commence on East Anglia One, a project which will generate capacity of 1,200 megawatts (MW). It will create up to 2,700 jobs during construction and could power 820,000 UK homes.

This is the first of six planned 1,200MW phases within the overall East Anglia UK Round 3 offshore wind zone, which could eventually comprise up to 7,200MW.

For Iberdrola, its annual investment in the UK has more than doubled since the integration of Scottish Power into the firm in 2007, up from £600 million in 2006 to £1.2 billion in 2013.

Iberdrola CEO Ignacio Galan told UK energy and climate change secretary Ed Davey in June that “the very large investments that Iberdrola is making in the UK are important in securing energy supplies for the country in the future”.

Iberdrola’s UK investments are helping to secure the country’s future energy supply



Horizon 2020

Launched in 2010, Europe 2020 is the European Union's growth strategy for the current decade. Outgoing European Commission president Jose Manuel Barroso has outlined his desire for the EU to become a "smart, sustainable and inclusive economy", delivering high levels of employment, productivity and social cohesion. The plan comprises five ambitious objectives on climate and energy, employment, innovation, education and social inclusion to be reached by 2020

Among the more relevant elements of the plan for the Basque Country is that 20 percent of the GDP of each member state should be based on industry. The region's figure currently stands at 26 percent, compared to less than 17 percent for Spain as a whole. Also, in the area of investment in R&D, the Basque Country is far closer to reaching the target of three percent of GDP than the Spanish state, where science spending has plummeted as a result of austerity policies. For Alexander Arriola, managing director of the Basque government's business agency, SPRI, the key is specialisation. "The three top priorities of the Basque Country are bioscience, advanced manufacturing and energy," he says, adding that smart cities and clean energy are further sectors which, while not economically strategic today, could become future growth areas.

+ A qualified workforce

The Basque Country's business leaders speak proudly of their well-educated workforce and the region has three major universities to help develop the minds of the future

The Basque Country University (UPV) is the region's largest, a state-funded institution with campuses in each of the three provinces (Gipuzkoa, Bizkaia and Alava). The UPV, or Euskal Herriko Unibertsitatea, is known, among other things, for offering courses in Euskara, the Basque language.

Deusto is a Catholic university with two campuses, in Bilbao and San Sebastian. The University of Deusto is striving for internationalisation, having signed agreements with more than 200 other universities around the world.

Mondragón University is the youngest of the trio, founded in 1997 thanks to a legislative change in Spain which allowed for the creation of private universities. It sprang from the professional training schools which grew out of the cooperative movement centred around the town of Mondragón.

Putting innovation on the agenda

The contribution of the industrial sector to the Basque Country's GDP has fallen from 36 percent 20 years ago to around 26 percent today, a trend the government is keen to reverse. Innovation and specialisation are seen as key

to bringing this about, particularly as the Basque Country cannot compete with other economies on price: its per-capita GDP is one of the highest in Europe. While businesses in the region have grouped

together in clusters and carry out their own research, public funding still accounts for around half of all R&D outlay, according to figures from the SPRI business promotion agency. Within SPRI are the BioBasque and nanoBasque agencies, which

coordinate developments in bioscience and nanoscience. "We have 20 bioscience companies. With BioBasque, we can compare what they are all doing and work to find synergies," says SPRI's managing director, Alexander Arriola.

Twenty bioscience companies brought together must create synergies

The right place at the right time

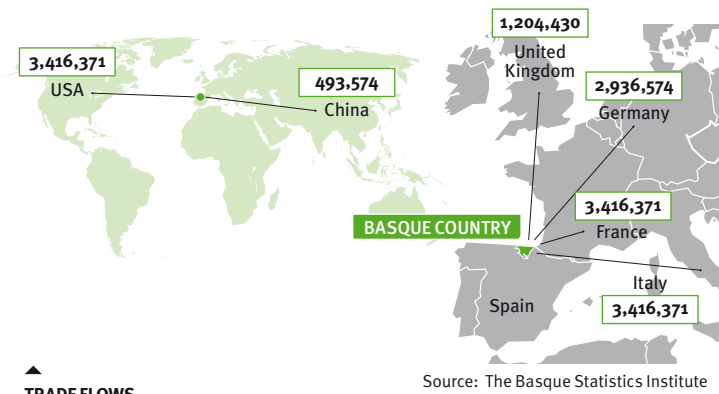
Writer: James Badcock

INVESTMENT The region's business environment offers a unique blend of technology parks, industrial clusters and modern transport infrastructure, all backed up by long-term support from the Basque government

As a part of Spain, there is no question that the Basque Country has been affected adversely by the fierce economic and financial crises that have hit the country. However, it has felt the impact less markedly than the other regions. Unemployment, for example, stands at around 15 percent, well up on pre-crisis figures, but still a long way from that of Spain. Nor has the Basque regional government had the problems of budget deficits that have beset so many of its peers, from Catalonia to Andalusia. The reasons for this Basque exception are many. Some highlight its different, more northern European way of working, while others stress the special political status the region enjoys within Spain, raising and spending its own taxes. Then there is the region's business culture, where the pursuit of excellence rather than fast profits is the key value. This quality, plus excellent transport infrastructure, government support for industry, educational and training opportunities and, now, a peaceful environment since terrorist group Eta declared an end to violence, combine to make the Basque Country a more tempting investment opportunity than ever before.

Miguel Angel Lujua, chairman of the Confefask business confederation, says that the region's commitment to research also helps to set it apart from its immediate environment. "We consider that our country has much more in common with northern Europe than with the south. If you look investment in R&D&I, the Basque Country spends 2.12 percent of its GDP in that area, which is pretty high, especially when you consider that across Spain it is 1.3 percent and 2.06 percent in the European Union." Lujua stresses the importance of investing in education, and with industry still contributing around a quarter of the region's GDP, the fact is that there are opportunities for those with highly-developed skills. "Our people are well educated: 42 percent of those aged between 30 and

34 have university qualifications; we are a reference in vocational training programmes; and 1.3 percent of the working population are scientists, ahead of 0.7 percent in Europe." He adds that in terms of infrastructure, the Basque Country has three airports, modern ports and with the arrival of the high-speed train network, "a little late," by the end of this decade the region will be fully connected to the rest of Spain and France. Alexander Arriola, managing director of the Basque government's SPRI business support agency, notes that research alone is no guarantee of success. "What we want to make sure of is that the R&D that companies undertake has an impact on a product in the marketplace." There is no lack of companies with ambition. Lujua estimates there are 6,000 firms which "have exported or are involved in some other part of the world", but Ignacio Mataix, CEO of ITP Group, points out that a certain critical mass can help when expanding internationally. "For smaller-sized companies it is hard to compete and to have the resources to penetrate markets. That is why any support for



TRADE FLOWS

The value of exports by Basque companies reached a record of €21.1 billion in 2011, up 17.9 percent on the previous year, according to Confefask. Led by manufactured and semi-manufactured goods, this volume constituted almost ten percent of all Span-

ish exports, making the Basque Country the fourth-largest region in terms of exports behind the more populous Madrid, Catalonia and Andalusia. Imports in 2011 reached €17.1 billion, leaving the region with a positive trade balance of almost €4 billion.



Q&A

Alexander Arriola
Managing director of SPRI

SPRI, the Basque government's agency for business development, aims to promote the region's industrial sector by boosting investment, assisting start-ups and helping companies create added value.

Can you give a concrete example of how you help business? Companies place great empha-

sis on R&D, but the Basque government through SPRI provides approximately 50 percent of research funding.

How could local industry become more competitive? We have to be more proactive when internationalising and not arrive once the boom is over, but consider beforehand what each country has to offer.

"Our main objective is to promote Basque industry and give it added value"

industrialisation and internationalisation efforts is very important to the Basque Country." A key element of support comes from the forming of business clusters, a model which is highly developed in the Basque Country. The first was in the automotive sector, still the region's single most important industrial area, with the setting up of ACICAE in 1993. The region also has a large network of business and technology parks, including the IK4

Tekniker venture, comprising nine private non-profit centres and 1,300 employees developing technology to help Basque businesses become more competitive. For Derek Doyle, the UK's consul in Bilbao, the "pioneering" cluster initiative is an example of what he sees as the Basque Country's different approach. "The model is based on a commitment to industrial activity, to being competitive and keeping ahead."



Writer: James Badcock

INVESTMENT The Basque city was once synonymous with the region's heavy industry heritage. But a quarter of a century ago local leaders realised that radical change was needed

Some 25 years ago, the politicians in charge of Bilbao realised that things had to change if this emblematic Basque city was going to once again be a vibrant hub of economic and cultural activities in the 21st century. The world now tends to associate Bilbao and its astonishingly successful regeneration process with one word: Guggenheim. But the titanium folds of the Frank Gehry-designed art museum were the icing on the cake for those responsible for the city's complex restructuring process. "Bilbao had to change; our city was down and out," recalls Ibon Areso, today Bilbao's mayor but formerly an urban planner called in by the city's council to help put together the regeneration plan. "We had an economic model based on heavy industry, which collapsed leaving us with 25 percent unemployment."

Areso says there were four pillars on which the new city was erected: first came mobility, including "smart" communications in terms of fibre optic and broadband technologies. Then the city's environment was boosted, polluted rivers cleaned up and parks and pathways improved. Moving on,

"After regeneration, it's all about the economy"

Andoni Aldekoa
Director of the Bilbao mayor's office

ment was cultural expansion, which eventually would include the Guggenheim on top of a range of other initiatives. But what now? Andoni Aldekoa, director of the Bilbao mayor's office, outlines Bilbao Next, the city's model for economic transformation. "If the last 25 years have been all about urban regeneration, the next 25 are about the economy," he says. Aldekoa sees Bilbao's future as a hub providing hi-tech "advanced services" to the region's industry, something which already constitutes 35 percent of the city's economic output.

Areso's third strand was the opening of the city to the knowledge economy: "The wealthiest cities today are not those with the greatest natural resources but those which have the best educated people." Finally, the fourth element



Q&A

Ibon Areso
Mayor of Bilbao

As an architect and urban planner, Ibon Areso was hired by Bilbao council to design a plan for the city. Now in his new role as mayor, he is happy but not yet fully satisfied with the transformation of the port city from a decaying relic of the Basque Country's era of heavy industry to a 21st century model which combines high technology and urban culture.

When Bilbao won the world's best city award, did you feel your job was done? No. We have won 30 prizes for regeneration, but if we rest on our laurels in such a fast-moving world, we'll come down to earth with a bump very quickly. In our strategic plan, the first step was to go from an industrial city to a pleasant one, and now the second stage is to go from a pleasant to a smart city, a city of knowledge.

What has been the most surprising part of this regeneration process? The fact that such a high proportion of our plans has been realised. Of course, we owe a lot to the Guggenheim effect, which boosted self-esteem and meant that people started to really believe in the process.

"The next stage is to go from a pleasant to a smart city, a city of knowledge"

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Turning around Bilbao's fortunes

1980s Bilbao's shipbuilding and steel industries collapsed, leaving double-digit unemployment and a polluted environment.

1992 The Bilbao Metropoli-30 association drafted its revitalisation plan for metropolitan Bilbao.

1997 The Guggenheim Museum Bilbao opened. In its first three years it generated €500 million in economic activity.

2013 The 'Bilbao Next' project was launched, laying out a smart economic and productive strategy for the city.



Q&A

Josu Urrutia
Chairman of Athletic Club

What makes Athletic Club different?

This club has its own particular way of doing things, and this is where Athletic's strength resides. We invest in players who might not be considered the world's best, but to us they are the best because of intangible values such as a sense of pride and of belonging and commitment to this club, which balances everything else out. Athletic gets its strength from society and it has to give something back to society in return.

“Athletic has a cohesive effect. It brings together people with different political beliefs and from different walks of life”

More than a football club

Writer: *Eleanor Wragg*

SPORT UEFA Champions League side Athletic Club only signs players native to or trained in football in the greater Basque Country and has become a potent symbol of Basque identity both on and off the pitch



In a world where football has become big business, one team stands out for its different approach. Established well over a century ago, Bilbao's Athletic Club is owned by its members rather than venture capitalists, and until a link-up with local oil firm Petronor in 2008 had refused to carry shirt sponsorship, in stark difference to the majority of Europe's top teams. By making a conscious decision to only hire Basque footballers, the club has made a brave commitment

to nurture local talent. While other clubs sign star strikers from overseas, Athletic Bilbao seeks out the best and brightest from its environs and trains them in its youth academy system – tipped as the world's finest. This innovative approach, and the club's pride in its regional identity, has paid off: along with Real Madrid and Barcelona, Athletic is the only club never to have been relegated from the Spanish premier league since its inception in 1929.



Prosperous province

Writer: *Glen Johnson*

FOCUS ON ALAVA Sound local governance coupled with a powerful manufacturing sector has made this mountainous province a European star. Home to the vibrant Basque capital of Vitoria and boasting attractions from wineries to adventure sports, Alava is striding confidently into the future

The largest and least populated of the Basque Country's autonomous communities, Alava is dotted with vineyards and low-lying valleys fringed by mountain ranges and wooded highlands, featuring ancient trade and pilgrim routes that left an indelible historical mark on the region. Formerly an agricultural hub, the province has steadily built its industry-driven economy over the past three decades, emerging from under the Franco dictatorship to become one of Spain's economic bright spots. Industry – iron and steel manufacturing; the production of glass, ceramics, agricultural machinery and cars – clusters around its metropolitan centres. Yet, despite its manufacturing focus, Alava also has a fine trade in tourism, technology and culture.

Brand-name companies maintain a presence in Alava, attracted by its skilled workers; Mercedes Benz maintains an assembly plant there where it most recently began production of its Vito series of motor vehicles, with a reported investment of €190 million. The Rioja



Vitoria's old city centre

Alavesa wine region is world-renowned, and cuisine in the province, like that across the rest of the Basque Country, is top-notch. Tourists flock to Alava's pristine landscapes and nature reserves, and it is fast emerging as a strong adventure sport location.

Alava is also home to the Basque Country's capital city, Vitoria, a place of charm and natural beauty. Since 1977 it has hosted an international jazz festival showcasing the talents of a range of internationally respected musicians: Muddy Waters, Ella Fitzgerald, Dizzy Gillespie and Stan Getz, Chick Corea and Bobby McFerrin, and the Buena Vista Social Club Orchestra. With its refined restaurants and grills, natural parks, museums and picturesque cathedrals, Vitoria – made up of three concentric circles – is quickly diversifying its economy,

winning widespread international acclaim for its official pro-environment policies and concerted push towards creating a sustainable urban location: its citizens all live within 300 metres of an accessible green space.



Q&A

Javier de Andres
President of the provincial council of Alava

How would you define Alava's economy?

Alava is the most industrial of the Basque territories, and perhaps of the whole of northern Spain. We have very high industrialisation rates and an economy that is strongly geared towards exports.

How does the economic situation in the rest of Europe affect Alava?

We depend a lot on the situation in France and Germany. If those markets are doing well, we make progress. By comparison, we are less dependent on the national market.



ScottishPower Renewables, part of Biscay-based Iberdrola, installed a 750kW Pelamis wave energy converter at Billia Croo, Orkney in 2011.



The West of Duddon Sands Wind Farm located offshore Cumbria started generating power in January 2014. It is the first British offshore wind farm to be constructed by a Spanish company.

Leading together in renewables

Basque energy giants

Writer: *Eleanor Wragg*

ENERGY For a small European region, the Basque Country punches far above its weight when it comes to the energy sector, as both Iberdrola and Petronor have their home here. Iberdrola is one of the top electric utilities in the world, an international leader in wind power and plans to invest £10 billion into the UK by 2020. Petronor, the Basque arm of Spanish oil major Repsol, owns Spain's largest refinery in Bilbao. It poured €850 million into the Basque economy in 2013 and is the top taxpayer in the region, generating over 6,000 jobs



Andreu Punet
Managing director of Petronor

INDUSTRY LEADERS



Xabier Viteri
CEO of Iberdrola Renewables

What are Petronor's main aims?

Our star project is called Petronor Barria. It seeks to improve our competitiveness and long-term sustainability by optimising crude selection, reducing operating costs, offering added-value products, working more efficiently, putting an emphasis on safety in our operations, protecting our environment and developing a good relationship with the local community.

What does the Petronor Barria project entail?

New coking facilities which will allow us to get more out of the crude oil and make lighter products that offer greater value. In 2013 we made significant savings, and this year we have reduced energy expenses by €30-35 million as compared with early 2013. Increasing our production by exporting more gasoline and diesel is another important aim. In early 2014, we were

working at 67 percent capacity; right now we are at 92 percent.

We have also started using new raw materials, such as vegetable oil. We have been acquiring palm oil for the last two months and using it to produce diesel. We are also now making low-sulphur fuels which are basically for export.

How would you appraise the Basque Country's attractiveness as a place to invest?

The Basque Country is characterised by its entrepreneurial spirit and its audacity. It has all the required traits to attract global investment. There is a lot to be said for the courage of the Basque people; they have dared to take on the world in their business activities.

“We will invest €13 million in reducing CO2 emissions this year”

What is Iberdrola doing to reduce greenhouse gas emissions and curb the use of fossil fuels?

Iberdrola has 14,000 MW of capacity installed in working wind farms, in ten countries, with an annual output of 32TWh. This is totally without emitting greenhouse gases. The work we have done with regulators has been very important. We have provided knowledge and practices of the utility, and we have managed to make wind energy a further source of electricity.

What has been Iberdrola's impact on the wind power sector?

Iberdrola's big contribution has been to promote wind energy and move it from the margins to a point where it has become a competitive, reliable fully-integrated energy source with a very high penetration rate.

How would you assess the Basque Country as a centre for renewable energy?

The Basque country has a technological and industrial framework that has allowed companies to achieve a high status in the renewable industry at an international level. This in turn enables professionals to develop their skills. In the global market, professionals have to deal with the challenge of knowing about and experimenting with development in other areas of the globe to acquire the vision of other business cultures and take it back with them, integrating it into their local practices.

“Offshore wind farms are where there is the potential for a high level of cooperation between the Basque Country and the UK”



READ THE FULL Q&A
the-report.net/basque-country

A well-connected region

Writer: Eleanor Wragg



Q&A

Asier Atutxa
Chairman of the Port Authority of Bilbao

How important is the port to the Basque Country?

The Port of Bilbao nowadays is a barometer of the economic activity of the Basque Country. With the resources that we generate – around €30 million per year – we have the capacity and autonomy to carry out the investments that we need.

What links are there between the port and the UK?

The UK accounts for nine percent of the port's traffic. We have at least one sailing per day to the British Isles, which makes us the principal Spanish port in terms of entry and exit of cargo originating from or going to the UK.

INFRASTRUCTURE As the uniqueness of its language attests, the Basque Country was once isolated from the rest of the world. Today, through its infrastructure and technology, the region plays an important role in connecting people, both virtually and physically

The Basque Country's strategic location as a gateway to Europe, coupled with its vibrant industrial base, has led to it becoming an important logistics centre. Its modern communications infrastructure, made up of an extensive road network, a railway which connects Spain to France, three airports and two of Spain's leading seaports, sees over 400,000 tonnes of goods per day transported in and around the region. Continually ranking among Spain's top five ports in terms of traffic volumes and activity, the Port of Bilbao plays a vital role in Europe's container transport industry. "We have connections with 900 ports globally," says Asier Atutxa, chairman of the Port Authority of Bilbao, who adds that the port moves around 30 million tonnes of cargo per year. "This year, we've seen a 2.2 percent increase in our traffic, which means we're slowly but surely reversing the downward trend in traffic we have seen in recent years as a result of the economic crisis."

The United Kingdom remains the port's main market. It accounts for fully nine percent of the port's overall traffic, and around 1.6 million tonnes of cargo annu-

ally, while ferry and cruise passengers are also overwhelmingly British: 86,000 of the 142,000 tourists who entered the Basque Country via the port in 2013 sailed on the ferry linking Bilbao with Portsmouth. Of the 44 cruise ships which called at the Port of Bilbao in 2013, one-third of the passengers were British, followed by Spanish passengers, who made up 20 percent of the total, and Americans, who made up 19 percent. While the Port of Bilbao plays an important role in connecting the Basque Country to the rest of the world via the sea, another Basque company is providing virtual connectivity. Euskaltel, set up in the 1990s with the aim of providing cutting-edge telecommunications technology to the region, is the first independent virtual mobile operator in Europe with its own network. Today, Euskaltel delivers broadband internet, digital television and mobile telephone service to 300,000 customers. Although the Basque Country alone represents a small market, the company has taken an innovative approach, offering up its network to global technology companies as a testing ground, and in return receiving the latest in telecommunica-

tions advances. But the company also looks to build local talent, as chairman Alberto Garcia explains. "We are committed to creating traction among Basque companies so that we can increasingly incorporate more Basque suppliers in the products we buy." The next step is to look outside the borders of the region. "We are looking to see if it is possible to do something in the regions of Spain that have similar characteristics to ours," he says. He also wants to see more investors come

The Basque Country is a gateway to Europe

into the region. "The Basque Country is very attractive. Although we are very 'local', our business concept is very universal and very professional. We're not about making a fast buck. The Basque Country is a country that seeks long-term sustainability."

Next-generation connectivity

In the 20 years since Euskaltel's founding, the company has invested almost €2 billion in deploying its next-generation network in the Basque Country. Working out at an average of almost €900 per resident, this investment represents the largest ever undertaken by a Spanish telecommunications operator into the region. "Our fundamental idea was that there had to be an alternative network to that of the old monopoly, in order to create true competition," says Alberto Garcia, who adds that Euskaltel has now rolled out its high-speed fibre-optic network to 85 percent of the region's population – no mean feat given the mountainous landscape. And from the chairman's perspective, Euskaltel's commitment to bringing the Basque Country the latest in communications technology has paid dividends: "Since 2008 until the present day we have maintained the same level of income we had prior to the economic crisis, while the market has fallen by over 25 percent," he says.

INDUSTRY LEADER

Alberto Garcia
Chairman of Euskaltel

From its position in the late 1990s as a new entrant in the Basque telecommunications sector, Euskaltel's innovative, nimble approach has seen it rise quickly to dominance, displacing the incumbent former monopoly Telefonica in the broadband sector and providing tough competition in mobile and fixed-line telephony

How was Euskaltel founded?

Euskaltel is an initiative set up by the Basque government and Basque savings banks in the 1990s during the crisis, when we realised we needed to make technological progress. One of the resulting initiatives was improving telecoms infrastructure with the latest technology at the time: fibre optics. Later, at the end of the 1990s, the Basque government and Basque savings banks took advantage of the deregulation of the telecom industry by the central government to form a technological partnership called Retevisión. It was the second biggest telecom provider in Spain, an alternative to the monopoly held by Telefonica, and Euskaltel was the Basque telecom operator.

What is the vision for Euskaltel?

We want to be the leaders in telecommunications in the Basque Country. We want to meet all the needs of our users, be they corporates or individuals. That means maintaining a balance, something that we Basques know how to do well, between thinking about what is good for the country and what is good for business. By doing this, we meet the needs of our shareholders, our customers and our people,

and Basque society sees us as a net contributor to the country's wealth.

What is your approach to R&D?

We innovate in two ways. In technological innovation, we've reached agreements with the world's largest manufacturers in exchange for carrying out pilot tests of the latest technology. We're a small country and we can do controlled tests; the manufacturer gives us the latest technology, they see the results we get, and in return Euskaltel gets the latest technology sooner than the competition. In terms of non-technological innovation, we have innovated in terms of our proposition. For example, we launched the first flat rate broadband tariff, which has since been followed by others. That said, technology and products can always be copied. What can't be copied, and what sets us apart, is the general feeling we create among our customers and our people through our service and way of doing business.

What makes the Basque Country attractive for investors?

For foreign investors, what's important here is our seriousness, the way we strive for excellence, and our commitment to economic efficiency. The Basque Country is also economi-

cally and legally stable.

Where do you see opportunities for growth?

With the market share we have, growth in the Basque Country isn't easy. However, we still have more products and services to offer potential customers. There are more than 150,000 homes in the Basque Country who don't use fibre optics. There's a big opportunity there for Euskaltel's fibre optics service. Other possible growth areas are in new telecom services. We are looking at expanding outside the Basque Country.

"There needed to be an alternative network so that there could be real competition"



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PORT OF BILBAO IN NUMBERS

Located on Spain's Atlantic coast, the Port of Bilbao is a centre for global sea trade as well as a key part of Europe's Atlantic logistics arc.

32 metres

the draught of Bilbao's docks, which allows the largest vessels to berth

€500m

invested by the Port Authority of Bilbao since 1992 in land reclamation and extension works

30m tonnes

the traffic volumes at the Port of Bilbao in 2013, a growth of 2.24 percent over the previous year



BASQUE COUNTRY. WHAT DO YOU WANT TO DO FIRST?

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BASQUE COUNTRY

Green and gracious

Writer: Susana Urrea

TOURISM AND CULTURE While lacking the dependable weather that draws the masses to the Mediterranean, the Basque Country seduces visitors with its numerous opportunities for high-quality tourism based on world-class food, dramatic scenery, outdoor sports, unique museums and famous festivals



◀ CULINARY EXPERIENCES

It has often been noted that food and the experience of eating come close to being a religion in the Basque Country. While the world has come to recognise the region's culinary excellence through the haute cuisine movement led by superstar chef Juan Mari Arzak, what is truly remarkable about the Basque Country is the high quality of the fare at regular establishments. From its famous tapas held together with a toothpick and displayed on

bar counters to its cider houses serving codfish omelette, slabs of beef and sagardoa straight from the barrel, this is a place where any self-respecting Basque will serve up only the best ingredients.

Photos: Basque Tourism Agency, San Sebastian City Council



VIEW PHOTO GALLERY
the-report.net/basque-country



▲ ART

While the Guggenheim Bilbao may represent the heart of global contemporary art in the Basque Country, Basque artists have been defining the spirit of their nation since the middle of the last century. Using large volumes and down-to-earth materials, an entire generation of sculptors such as Eduardo Chillida, Jorge Oteiza, Agustin

Ibarrola or Nestor Basterretxea crafted enduring works that sank their roots in a legendary past and quickly became inseparable from their surroundings. The Comb of the Wind or the Forest of Oma suggest a minimalist rejection of elaborate imagery in favour of simple forms that play with matter and empty spaces. More

recently, people like Txomin Badiola and Cristina Iglesias have built on that legacy to create new art forms that have met with significant international success.

Photos: Irekia-Basque Government | Mikel Arrazola, Basque Tourism Agency



▲ VITORIA

The de facto capital of the Basque Country houses more than executive and legislative powers: it is also home to wild deer living within city limits. Declared European Green Capital in 2012, Vitoria is surrounded by a ring of parks connected by corridors where

locals go to walk, ride their bikes and take in the special beauty of the Salburua wetlands. Already noted for its international jazz festival, Vitoria recently claimed a new victory when it was designated 2014 Gastronomy Capital of Spain.

“Vitoria is Spain’s Switzerland, where trams run through beautiful green spaces”

Javier Maroto
Mayor of Vitoria

Photos: Basque Tourism Agency, Vitoria City Council



▲ SAN SEBASTIAN

Once a summer retreat for royals, elegant San Sebastian has redefined itself as a forward-looking city that respects its belle époque past. Its international allure will only increase when it becomes

2016 European Cultural Capital, uncovering a world where strolling along the picture-postcard bay of La Concha and dining on world-class pintxos is not so much a rare treat as a way of life.

Photos: San Sebastian City Council, Basque tourism agency



▲ GAZTELUGATXE

More than 200 stone steps separate the Basque mainland from the islet of Gaztelugatxe, a fishing village with a noble history whose economy once rested on whaling. Rides also pass by Cape Machichaco and its lighthouse, a very popular spot for underwater diving.

endemic vegetation. Boat trips are available in nearby Bermeo, a fishing village with a noble history whose economy once rested on whaling. Rides also pass by Cape Machichaco and its lighthouse, a very popular spot for underwater diving.

Photos: Irekia-Basque Government | Mikel Arrazola



◀ ECO TOURISM

The rolling green hills of the Basque Country take on a painfully bright hue on sunny days, as though wilfully dazzling visitors. The small territory offers many possibilities for nature tourism: from the climber-friendly peak of Txindoki to the coastal flysch deposits of Zumaia-Deba, con-

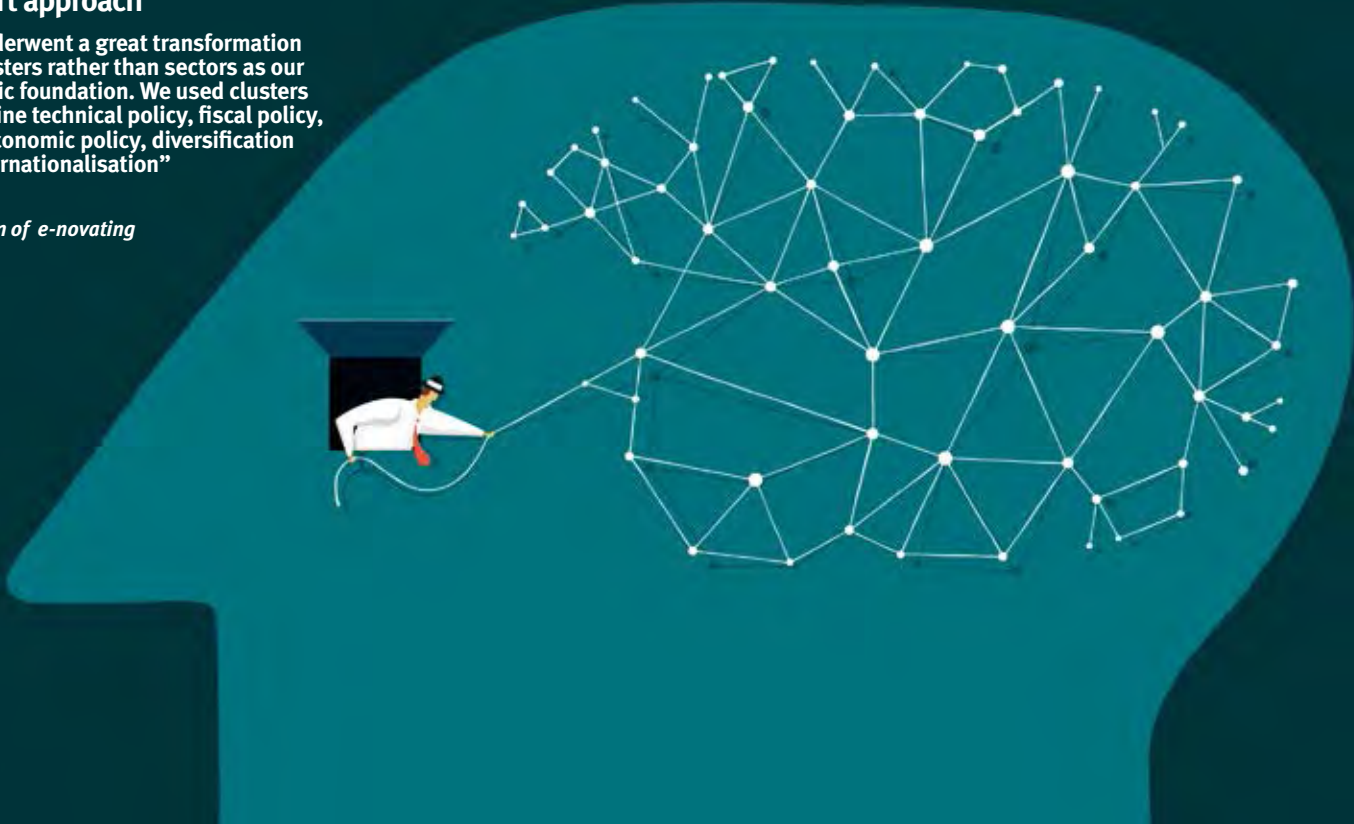
sidered of international geological significance, and the Urdaibai biosphere reserve, which encapsulates the region's environmental diversity through its cliffs, forests, rivers, beaches and wetlands.

Photos: Irekia-Basque Government | Mikel Arrazola

A smart approach

“We underwent a great transformation into clusters rather than sectors as our economic foundation. We used clusters to redefine technical policy, fiscal policy, socio-economic policy, diversification and internationalisation”

Jon Azua
Chairman of e-novating



Perspective



“We need to remain in the research loop”

Francisco J. Riberas Mera
Chairman of Gestamp

Despite the Spanish economic downturn, automotive firm Gestamp closed 2013 with turnover of €5.7 billion, having continued to invest both abroad and in R&D at home.

Made in the Basque Country

Writer: Guy Hedgecoe

INDUSTRY By sticking to its industrial principles and introducing the cluster business model, the region has boosted competitiveness and innovation and reached new markets

Two decades ago, the Basque car industry was struggling amid a broader economic dip in the region and across Spain. Many feared the Basque industrial model itself was obsolete. “The academic world said we had to move on to a services-based economy,” says researcher and politician Jon Azua, who was advising the Basque government at the time. “Industry was seen back then as something for the third world.” But Azua’s message that Basques should recover their “taste for elbow grease” took root and the region’s first cluster, the ACICAE, was created, bringing together companies from the automotive industry. Concentrating the resources of one particular economic activity in a geographical area – the theory behind clusters – stimulates competitiveness and innovation, as well as

helping businesses reach new markets. Its merits are now well documented, although in the early nineties, clusters were relatively uncharted territory. For the car industry, the model has been an undisputed success. “In 1993, we had 40,000 workers in the sector, all based in the Basque Country; now we have almost 80,000, half of whom are outside Spain,” says Ines Anitua, managing director of ACICAE. She adds that the 300 companies that make up the sector have gone from having no plants abroad to 200 over the last 15 years. “We always try to bring potential partners here to visit us,” she explains. “The main thing is when they see the potential we bring together in such a tight-knit environment.” The Basque region was fertile ground for the cluster con-



Q&A

Joseba Jauregizar
Managing director of Tecnalia


Tecnalia is an alliance of eight technology centres, whose mission is to transform knowledge in order to generate wealth and create a social impact.

What areas of research does Tecnalia support?
We have business divisions that include aerospace, automotive, energy, metal casting, shipbuilding, railway, sustainable construction, environment, information technology and health, particularly ageing.

What does the Basque Country have to offer?
We have opened up a door to the territory as an economic asset in itself, which we view as a flow of economic relations. We often say that the Basque Country is like a large city, or a city-state, a bit like Singapore. From that viewpoint, the economic world, the world of culture, the world of urban regeneration with Bilbao as a prime example, the world of gastronomy and wine, all create economic flows in the territory, and

it becomes an asset in itself.

What would you like the rest of the world to understand about the Basque Country?
We have a virtuous triangle made up of an industry with a competitive advantage, qualified workers graduating from competent higher education and vocational training programmes, and continuous support from the authorities.

 [READ THE FULL Q&A the-report.net/basque-country](http://the-report.net/basque-country)

cept, with many of the smaller businesses on which it has traditionally relied seeing the potential benefits of linking up. With Harvard business school professor and competitive strategy expert Michael Porter on board, by the mid-nineties the Basque industrial landscape had been transformed. The clusters redefined everything from economic and fiscal policy to technical and social strategy. The region now has 11 consolidated clusters in strategic sectors. They cover half of its industry, including aeronautics, white goods, paper, maritime production, energy and telecommunications. In 2013, the Inter-American Development Bank (IDB) underscored the pioneering status of the Basque use of clusters, including it as an exemplary model in its annual report.

Keeping up with ambitions

The aerospace cluster HEGAN has been one of the standout successes of recent years, with its inclusion of major players in the sector such as ITP and Aernnova, which makes components for Airbus

and Embraer, amongst others. As Jon Larrinaga, who is Aernnova’s director of institutional relations, points out, the formation of clusters allows the government to see how the industry is organised, but also enables the industry’s smaller players to learn from their larger, more successful counterparts. “Small businesses always find it hard. The



cluster spurs them on to continuously improve and get involved in cooperative programmes with other bigger companies.” With growing numbers of the cluster’s SMEs now taking the first steps towards exporting, Larrinaga believes Aernnova’s rhythm of globalisation is being followed by its suppliers – a plus point for the future of the sector in the face of international competition. “The best situation for us is to keep working with the suppliers we have, as we already know their qualities and how they work,” he concludes.



Alejandro Bengoa
Managing director of IK4-Tekniker

What is IK4?
We are nine technological centres. We’re all non-profit, we’re all from the Basque Country and we all have the same mission: developing technology to make firms more competitive.

How should the Basque Country position itself?
What we can never do is compete when it comes to cheap labour. We have to position ourselves in terms of high added value. As a small country we have to find niche markets. Euskadi is an inherently industrial country. That’s the foundation of our economy and it’s more solid than other models.

How do you see the future?
We want to be a significant agent in ensuring the Basque Country remains industrial.



THE LEADING COMMUNICATIONS COMPANY IN THE BASQUE COUNTRY



THE 1st INDEPENDENT operator to develop its own network.



EUROPEAN REFERENCE in service to businesses with Basque and international partners.



INTERNATIONAL AGREEMENTS with global leaders in the sector.



CONVERGENCE providing fixed and mobile telephone services, broadband internet and digital tv.



World beaters

Writers: James Badcock and Eleanor Wragg

CEO INSIGHTS Whether they head up big or small companies, Basque Country business leaders make a point of striving for excellence in whatever they do. Increasingly, the global marketplace has become the backdrop to this commitment to innovation, professionalism and client care nurtured among the region’s family firms and larger operations



Man of values

Fernando Querejeta
Chairman of Idom

Having started out in the iron industry, this engineering and architecture company has now been in business for over 50 years. Its chairman Fernando Querejeta says it is his firm's Basque principles which have allowed it to diversify internationally to escape Spain's crisis. "Staff training, dedication to the client and a good working atmosphere with mutual trust," is Querejeta's summary of those core values. Idom is today a leading multidisciplinary group with 2,500 professionals united by common ownership of the firm, located in 34 offices spread over 16 countries across five continents. Back home, Idom's architectural office offered technical assistance in the construction of the Guggenheim Bilbao before building Bilbao Arena and Athletic Bilbao's new stadium.

The high flyer

Ignacio Mataix
CEO of ITP

A joint venture by Basque aeronautics firm SENER and the UK's Rolls Royce, ITP is celebrating its 25th anniversary. Set up in 1989 to work on the Eurofighter project, today it is a partner in all key international civil aviation programmes. Thanks to its participation in Rolls-Royce's Trent engines, ITP holds a 50 percent share in the twin-aisle fleet. "We have specialised in one specific part of the engine, the low-pressure turbine, and no other com-

pany in the world has developed as many such components over the last 15 years," says CEO Ignacio Mataix. A key factor in ITP's rise is the company's investment of €1.2 billion over the past 10 years, some 80 percent of which on R&D. "We went through a period of developing many new products that were launched in the last ten years, like the Airbus 380, Airbus 350 and the Boeing Dreamliner, and we participated in all of those planes."



Driven by success

Jose Manuel Orcasitas
CEO of Irizar

Irizar started out in 1889 as a family cart-making business before moving on to manufacture vehicles such as the first wooden buses on the streets of Bilbao. The 21st century has seen the company make bold moves into the international coach market from its position as leader in Spain. In Mexico, Irizar has a 60 percent market share, while in Morocco it boasts 100 percent thanks to its new plant near Rabat which will soon also be used to

manufacture vehicles for sale in Europe. After record results in 2013, with total income of €556 million, 88 percent of which was earned abroad, CEO Jose Manuel Orcasitas is eyeing an assault on the US market, as well as new technological advances. "We have developed our own integral electric bus, which is ready to go, and are work on our own technological safety developments such as a driver fatigue detection system."



Cooperative champion

Inigo Ucin
Managing Director of Danobat Group

"We have always been a cooperative and this has allowed for beneficial mergers to keep the company alive and jobs intact"

More than half a century has passed since Danobat Group manufactured its first machines, and its commitment to innovation means that its turnkey solutions and stand-alone applications crop up in a wide variety of sectors, from aerospace and railways to energy and healthcare. "It is true that we don't make trains, planes or cars; instead, we make machines that become key pieces inside trains, planes and cars. We have our own technology centre, which works

almost exclusively for us," explains managing director Inigo Ucin, adding that the group invests ten percent of its sales into R&D. Danobat Group ensures that all workers have access to training and has a scheme whereby university students can work part-time, helping managers to identify new talent. "We have been a cooperative from the word go and this status has allowed for beneficial mergers and associations, fighting for jobs and the survival of the company."

Home builder

Jose Luis Perez
Chairman of Orkli

Headquartered in Ordizia, Gipuzkoa, Orkli's business is the manufacture and sale of components for central heating, water heating systems and domestic appliances. Part of the Mondragon cooperative group, Orkli has manufacturing plants in China and Brazil, and a global network of offices. Chairman Jose Luis Perez stresses, however, that his priority is to create jobs and wealth in the Basque Country. "For every euro we invest in China or Brazil, we

invest 20 or 30 here. Around seven percent of our workforce is involved in R&D, working to boost manufacturing technology and to improve the products themselves." Perez says that of global turnover of €150 million over the last two years, €130 million was made in Ordizia, with reinvestment in manufacturing technology the strategy for future success. "In 2012, we invested €16 million and this year we are planning to invest €20 million or more."



Agent of change

Carlos Garcia
Managing director of Inbisa Construction

With over 30 years of experience in all aspects of the construction sector, Inbisa Construction has made its mark on many of Spain's urban centres, with work including the remodelling of the Mutua Madrileña building in Madrid and the Inbisa tower skyscraper in Barcelona. But where its work has had the most tangible impact is in its home town, Bilbao, where it has revamped the San Mames stadium, home to Athletic Club, as well as carried out work for the

town hall and provincial government. Despite a rocky few years for Spain's construction sector, Inbisa Construction has remained strong, something managing director Carlos Garcia attributes to its integrated structure: "We are not merely builders; we have a real estate branch and can offer clients a complete package that includes the land, the construction work and all the paperwork involved in obtaining the necessary permits and licenses."



Tools for growth

Inaki Garmendia
Chairman of EGA Master



Chairman Inaki Garmendia -left- with his sons Aner & Inaki Garmendia

"Our titanium tools are used at the CERN particle accelerator"

Small and beautifully designed, EGA Master, founded in 1990, is a prime example of how a family company from the Basque Country can develop a global reputation by striving for excellence. EGA Master makes high-quality hand tools, with its innovative and world-renowned "Basque wrench" now part of a range of 13,000 different products, used in some of the most demanding sectors, from aeronautics to oil exploration and mining. "Due to our philosophy of working closely with our clients, we have been able to satisfy the needs of the European Organization for Nuclear Research. Our titanium tools are used at the CERN particle accelerator," says company chairman Inaki Garmendia. To remain at the cutting edge, EGA Master in-

The deep thinker



Maria Lasa Irizar
Managing director of Irizar Forge

Irizar Forge, a specialist in crane hooks, has been in the same family for 92 years, with Maria Lasa Irizar representing the fourth generation of her clan in the firm's management. Today, the managing director is rapidly taking the company along a new path of diversified production. "Throughout our company's history, we were very much tied to cranes as we focused on making this critical component, the hook. I started to think, why only cranes? Hooks can be put to other uses as well, surely? That is how we began to get involved with the offshore and subsea market. Now our goal is to reach a 50:50 balance between our lifting and our mooring projects by 2016," she explains. Exploration and extraction operations at increasing depths are being targeted by Irizar Forge as opportunities due to their hooks' reputation for toughness. "When you take material 4,000 metres below sea level, you don't want to be forced to review it for safety every two years – you want to forget about it for the next 20 years. That is where we come in, although our products are not cheap." On land, too, Irizar Forge's forged products are put to the test in the most demanding circumstances, including nuclear power plants. Irizar Forge has logistics centres in Germany, United States and Australia and exports now account for 90 percent of sales. Not bad for a family company from Lazkao in Gipuzkoa province. "We have been through three successful succession processes. Coexistence in our case has been easy; we are a simple, down-to-earth family and that has helped."

"We've been through three successful family succession processes in which coexistence has been easy because we are a simple, down-to-earth family"



Engineering risk

Jorge Unda
Managing director of SENER

SENER managing director Jorge Unda admits that his leadership is of the conservative kind when it comes to financial risk. That said, he likes nothing better than an engineering challenge, especially in a new sector. "The first wind turbine manufactured in Spain was made by SENER in Tarifa in 1981. We have always taken risks with technology and tried different things." Aside from its involvement in the ITP joint venture with Rolls Royce, SENER's areas of expertise are many, taking in solar energy, liquefaction and regasification of natural gas, urban transport projects, satellites and ship construction. Outside Spain, the company has a

consolidated presence all over South and Central America, besides offices in Portugal, Algeria, Abu Dhabi, Poland, China, India, South Korea, Japan and, now, Manchester in the UK. Unda stresses the need to integrate into a foreign market, rather than try to impose a solution from afar. "To carry out a project like the Sao Paulo underground for example, you need to be Brazilian. You can't do it 100 percent from Spain. That's why we call ourselves a multi-local organisation. Because we're globally integrated, 80 to 90 percent of a project is handled by the local team, but we channel technology used in other locations with equipment from other countries in an integrated manner."

"The very first wind turbine to be manufactured in Spain was made by SENER in Tarifa, Andalusia, in 1981. We have always taken risks with technology and tried different things"

Gipuzkoa seeks to unveil its hidden champions

Writer: James Badcock

Despite its status as the cradle of Basque identity, this north-eastern province has a modern outlook on business, while its political leaders are pursuing innovative ways of governing



The three provinces that make up the Basque Country each have their own, unique identity

Tucked between the south-western corner of France and the Bay of Biscay, Gipuzkoa may be a small province but it is one of many parts. The lush landscape of rolling mountains to the south gives way to a coastline to the north that includes sleepy towns and the buzzing cultural hub of San Sebastian. The province is the heartland of Basque nationalism, and today it has the highest proportion of speakers of the Basque language, Euskara, of the three Basque provinces in Spain.

It has also created a strong economic identity. While Biscay has traditionally relied on large-scale business, Gipuzkoa has built its economy on small- and medium-sized companies, with 80 percent of its firms employing fewer than ten workers.

“We’re all Basques, but we’re different,” explains Martin Garitano, president of the provincial council of Gipuzkoa. “Biscay has its own character, while the Gipuzkoan is more reserved – we’re talking about small, self-made business owners who came from a rural background

and who have developed industrial careers.” As well as having a reputation for being less extrovert than their neighbours, Gipuzkoans are known for their reliability and determination. This region, like Alava and Biscay, has invested heavily in research and development in recent decades, spending just over two percent of GDP on this sector – nearly double the Spanish average.

Stability through unity

This entrepreneurial drive contributed enormously to the Basque region’s economic expansion during the 20th century, when it established itself as one of Spain’s main industrial motors. Although the famously robust Basque economy could not avoid the economic crisis which has swept over Spain over the last five years, it has sidestepped the worst of it. Gipuzkoa’s jobless rate of around 14 percent is the lowest in the country. “Why do we have lower

unemployment?” asks Pedro Esnaola, chairman of the Gipuzkoa Chamber of Commerce. “Our market is in just as bad a condition as any other. But entrepreneurs have decided to keep jobs, in many cases by becoming personally indebted in order to keep the business going.” That determination to prioritise jobs can also be seen in the cooperative culture, which has thrived in Gipuzkoa, most famously at the Mondragon group (see inset). Set up nearly 50 years ago as a pioneering corporate scheme, it now includes around 290 companies around the world. While the group has gone through financial difficulties recently, it prides itself on having managed, throughout its history, to save jobs through its labour redistribution formula.

“The main goal of a cooperative model is not profitability, although obviously you also need that, or else you will be forced to shut down,” says Jose Luis Perez, who is chairman of Orkli,



The cooperative model in practice Mondragon Group

A Biscayan priest who was driven by the importance of education and democratic ideals is seen as the driving force behind the creation of the Mondragon group. In 1956, Father Jose Maria Arizmendiarieta blessed the creation of a company, Ulgor, which was based on the cooperative ethos. This company would later become white goods firm Fagor. He also upgraded the Escuela Profesional, a vocational training school, and by 1959,

credit provider Caja Laboral Popular had been created, also on the basis that its staff were part-owners of the business. As the Mondragon group’s companies expanded their activities abroad, cooperatives in other areas were set up and an autonomous welfare system offering workers healthcare and job protection was developed. At the end of 2012, the Mondragon group was employing 80,000 people in finance, retail, industry and knowledge.

“There are lots of clichés about the Basques, but clichés tend to exist for a reason,” says Joseba Engana, CEO of Kendu, a Gipuzkoa-based firm which specialises in visual communication.

“I think what we can do is represent good things like hard work, responsibility and reliability, things which Spain is perhaps not internationally famous for.” Jose Luis Perez of manufacturing

firm Orkli says “reliability, technology, innovation and customer service” are all typical of the province and the wider region. “When you have a lot of businesses acting in this way, it conveys an image.”

Entrepreneur viewpoints

a cooperative within the Mondragon group. “The main thing is to keep jobs here, and you do that by reinvesting.”

Although Fagor, the Mondragon group’s flagship firm and one of Europe’s largest consumer appliance companies, was forced into bankruptcy in 2013, advocates of the cooperative model believe it is here to stay. “We are a very collectivist society,” says Jon Altuna, vice-rector of Mondragon University, which is closely associated with the group. “Just look at the gastronomic societies we have.” Mondragon alone has 30 of these dining clubs, which regularly bring together friends, relatives and colleagues to cook and eat, reflecting the tight-knit nature of Gipuzkoa’s social and business life.

This cooperative ethos has also helped companies secure financing when credit has been tight in recent years. Firms collectively approached the government to ask it to guarantee their financing through so-called SGRs, or reciprocal guarantee companies. “We were able to solve the problem through cooperation, while retaining our individual corporate independence,” Esnaola says.

Casting off the Gipuzkoan reserve

Since 2011, businesses have been free of a very different burden, following the announcement by terrorist group Eta of a definitive ceasefire. This was a particular relief for this province, which had been a focus of much of its violence. However, one concern that does remain within the business community is that the famous Gipuzkoan reserve has held back the province’s ability to sell itself and its products within the global economy. Orkestra-Basque Institute of Competitiveness, a centre for the analysis of Basque industrial policy and strategy that partners with Deusto University, has drawn up a roster of what it calls “hidden champions” – successful yet relatively unknown companies. Irizar Forge, which manufactures hooks for winches and cranes, was included as one such case.

“We have been silent for a long time, partly due to our nature and partly due to our recent his-

tory of terrorism,” says the company’s managing director, Maria Lasa Irizar, speaking of the business sector as a whole. “However, I think that we need to acknowledge that times have changed and start doing more to ensure that people on the outside know about all the good things that we are doing. I think we need to sell ourselves a little better and believe in ourselves.”

New policies and new politics

The Basque region has seen a seismic political change in recent years with the arrival of Bildu, a new, leftist, nationalist coalition. In 2011, it came a close second to the Basque Nationalist Party (PNV) in regional elections and swept to power in many town halls, particularly in Gipuzkoa.

“We have been silent for a long time, partly due to our recent history”

Maria Lasa Irizar
Managing director of Irizar Forge

social spending and culture. San Sebastian, which Bildu governs, raised investment in entrepreneurial projects from €1 million to €7.5 million between 2011 and this year. Unusually, the city has also become involved in investment policies related to the labour market, which would normally be under the control of regional and central administrations. San Sebastian city hall has apportioned €20 million over three years to job creation projects. For Juan Karlos Izaguirre, mayor of San Sebastian, this is all part of Bildu’s efforts to bring politics closer to the Basque people.

“We are trying to implement a bigger policy at a social level against the economic crisis than anyone else has done, either here in the Spanish state or in many other European cities,” he says.



Martin Garitano
President of the provincial council of Gipuzkoa

What are your main aims as head of the provincial government?

We came into the provincial government three years ago and our main objective was, and still is, to establish a different way of governing. We wanted to be involved with citizens permanently. Secondly, we wanted to guarantee that in the face of the economic crisis, Basque society wouldn’t fall apart, to make sure that the weakest people in Gipuzkoan society maintained what we believe should be a basic quality of life.

What are Gipuzkoa’s competitive advantages?

Gipuzkoa is essentially an industrial territory. We have powerful industries such as machinery and transport and it’s also a territory that exports. The majority of Gipuzkoa’s products are exported. Our businesses have taken the laudable decision to innovate. We have to innovate all the time, because we’re a very small territory and if we’re not at the cutting edge of innovation, of research and development, we’ll be swallowed up; we’ll be wiped off the industrial map.

What is the biggest challenge looking ahead?

Unemployment in Gipuzkoa. I’d also like to see a more participative society, the more so the better. In the first years of transition after the death of Franco, the social euphoria led people to participate in everything. But then people get comfortable and they stop participating and they delegate responsibility to the politicians, and that’s no good.

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San Sebastian: 2016 European Capital of Culture

In 2016, the Basque city will share the title of European Capital of Culture with Wrocław in Poland. Under the slogan “Waves of energy”, San Sebastian hopes to

use the opportunity to show that “ways of understanding and practicing culture must change, and that this change must come from people and their civic commitment.”

San Sebastian’s year-round appeal

Writer: Guy Hedgecoe

CITY FOCUS Gipuzkoa’s capital has an illustrious history as a picturesque summer resort. But its cinema and music festivals and thriving food scene have also given it a reputation as an innovative and internationally-minded hub of culture

“There are few cities in the world so happily situated as San Sebastian,” noted the Irish writer Paddy Woodworth of Gipuzkoa’s capital. Once you have set eyes upon the sweeping bay of La Concha, which is lined by a picturesque beach lapped by the waves of the Bay of Biscay, it’s hard to argue. Inland, meanwhile, the gloriously antiquated hotels and mansions of the city’s old quarter and its neo-Gothic cathedral are a reminder of its longstanding status as one of Spain’s most prized resorts.

But present-day Donostia, as San Sebastian is known by Basques, offers much more than stunning views and charming architecture. The unmistakable Eduardo Chillida sculpture, ‘The Comb of the Wind’, which perches on the rocks at nearby Ondarreta beach, is a reminder that culture is at the heart of this city. The annual San Sebastian Film Festival, now over half a century old, has become not just a major supporter of Basque and Spanish cinema, but a genuinely international event and a key stop on the global festival circuit. It has boosted the careers of directors such as Francis Ford

Coppola, Joel Cohen, Pedro Almodovar and Danny Boyle by screening and rewarding their work. While relying heavily on independent films, the festival has always prided itself on having Hollywood on speed-dial; this year is no exception, with Denzel Washington the recipient of a lifetime achievement award.

The Horror and Fantasy Film Festival caters to a more niche audience, but spills out of the movie theatres to offer performances on the streets. Meanwhile, the summer jazz festival has built up a formidable reputation, with artists ranging from Ella Fitzgerald to Diana Krall gracing its venues down the years.

Beyond all that jazz

And yet, according to mayor Juan Karlos Izagirre, there is more to the city’s cultural fabric than this. “San Sebastian is a living city,” he says. “Associating its cultural activity exclusively with the film festival, the jazz festival and the horror festival is a mistake, we think, because, for 185,000 inhabitants, there are 12 cultural centres and immense cultural activity

every day of the year.”

He cites initiatives such as Tabakalera, a massive old tobacco factory which is being converted into an international arts centre. Its inauguration is scheduled for 2015. Financed by the Basque regional government, the Gipuzkoan provincial authority and San Sebastian city hall, it has the lofty aim of eventually becoming “a platform for collaborative work between assorted organisations and the general public.”

San Sebastian is enjoying a steady growth in tourism and a two percent rise in 2013 saw the city receive around 500,000 visitors. Just over half of these were foreigners, a growing trend which the city is actively encouraging – plans are currently under way to expand nearby Hondarribia airport and give it international status. Ensuring San Sebastian has a year-round buzz is important for the city authorities, who are keen to broaden the city’s traditional image as a summer resort and magnet for surfers. Their efforts seem to be paying off, with a gradual increase in low-season visits in 2012 and 2013.

A culinary capital

Fortunately, gastronomy is immune to the notoriously fickle Basque weather. Chefs such as Juan Mari Arzak, Andoni Luis Aduriz and Martin Berasategui have contributed to the Basque Country’s reputation as one of the finest, most innovative culinary areas in the world. According to a recent ranking, five of the world’s best 50 restaurants were Basque – San Sebastian alone was home to three of those – and the region has the highest concentration of Michelin stars of anywhere in the world. Meanwhile, even the city’s less celebrated bars and restaurants take pride in offering a sumptuous range of pintxos, the Basque tapas, from prawns skewered on eggs to artichoke hearts with ham.

“Spanish cuisine and Basque cuisine have evolved tremendously in the last 15 years or so,” says Joxe Mari Aizega, managing director of the Basque Culinary Center (BCC). “Rather than cook the way their forebears did, today’s chefs are developing new technologies, partnering with artistic projects, and becoming part of a field of knowledge with a cultural side and a technological side.”

The BCC is a response to the increasingly specialised, multi-disciplinary nature of haute cuisine, particularly as Basques understand it. Set up in 2009 and linked to Mondragon University, it trains around 500 students at a time in culinary excellence. Not only is it an educational centre, it is also a research and innovation hub and the venue for food-related events. Meanwhile, its master’s degrees focus on areas such as restaurant and kitchen management and marketing. “Cuisine now has its own Harvard,” was how French newspaper Le Monde put it.

However, despite the swelling prestige of the region’s gastronomy, this is no hotbed of local

methods. “We don’t teach Basque cuisine here – unless you specifically sign up for the three-credit course on that subject,” says Aizega. “What students learn here is modern cuisine. Except we teach much more than just cooking. Our goal is not to produce cooks, but to produce head chefs, restaurant managers and food industry leaders. I firmly believe that the future of gastronomy lies in innovation.” Any visitor who witnesses the festivities of Saint Sebastian, the city’s patron, every 20th January, would be struck by the depth of tradition here. For 24 hours, from the moment the mayor raises the saint’s flag, the air is filled with the sound of drumming, as locals dressed as 19th-century cooks and soldiers parade around in what is known as the “Tamborrada”. The festival is one of many that contribute to the unique character of one of Spain’s most fascinating and lively cities. And yet, San Sebastian is determined to ensure that as well as appreciating its more established attractions, the world discovers a truly 21st-century capital.



◀ NEW BASQUE CUISINE

The Basque Country is known around the world for its innovative cuisine. Juan Mari Arzak, who holds three Michelin stars, received the “Universal Basque” award in 2008 for “adapting gastronomy, one of the most important traditions of the Basque Country, to the new times and making of it one of the most innovative of the world”.



◀ BASQUE CULINARY CENTER

Architects at the Vaumm design firm looked to stacks of bowls and plates for inspiration when designing the Basque Culinary Center building, which won third prize in the Building of the Year award 2011.

Q&A



Juan Karlos Izagirre
Mayor of San Sebastian

How would you describe San Sebastian?
It’s a city that we’re trying to transform in a social sense, in terms of getting people involved in politics and working with culture as tool for cohabitation. San Sebastian has been hit very badly in the last few decades by violence and at this exciting moment, it’s contributing a lot to the building of peace. It has become a reference point in terms of opening the region up to tourism, gastronomy and culture, as well as the building of peace.

What role does San Sebastian play in developing a Basque Country brand?
San Sebastian has an office that is dedicated to seeking new boundaries for tourism and in the last few years it has focused on looking abroad. That same office has worked on “de-seasonalisation” so that people don’t just come during a three-month period but rather all year round for culture, food, activities related to the film festival, and sporting activities.

What makes San Sebastian different from other places?
San Sebastian is the capital where people speak Basque the most. It’s also full of small businesses, which adds character to the city. Recently we’ve been trying more social policies to counteract the crisis. Nobody is doing that in the rest of the Basque Country or indeed, in the rest of Spain; only a few cities in Europe are. We’re trying to become a model city with regard to inhabitants participating in political decision making. These aren’t things that interest tourists, but they keep the city alive.

“We’re trying to become a model city”

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◀ THE COMB OF THE WIND

This sculpture by Eduardo Chillida is one of his best known. Embedded into the rock on San Sebastian’s La Concha Bay, its three steel pincers “comb” the wind thrust up as the waves of the Cantabrian sea batter the coast.

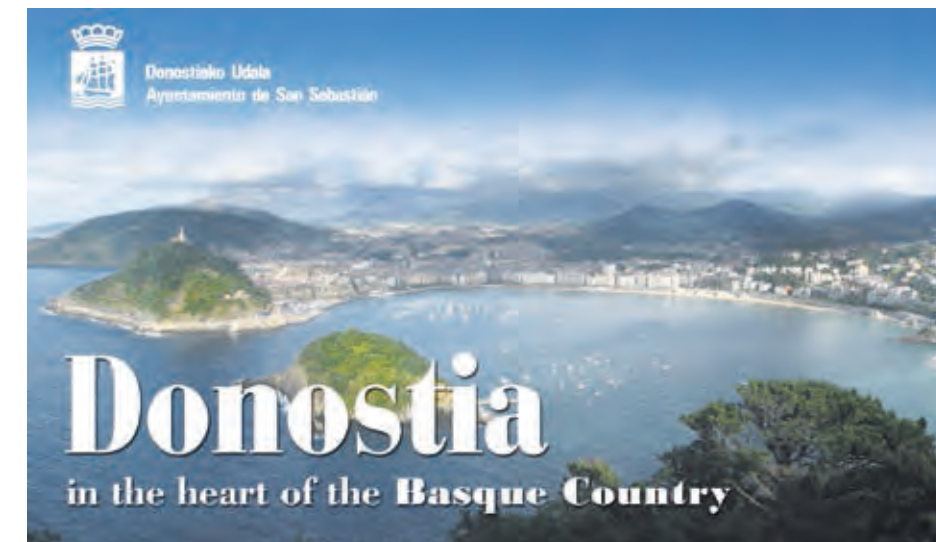
Photo: San Sebastian City Council



◀ FESTIVAL CITY

San Sebastian offers an extensive calendar of events to suit all tastes. From the world-renowned International Film Festival to International Jazz Festival or even the Horror and Fantasy Film Festival, it is easy to see why this city was named European Capital of Culture 2016.

Photos: San Sebastian City Council



The mainstay of San Sebastian’s award-winning cuisine is the famous pintxo

Any excuse is good for visiting **San Sebastian**, but here are just a few:

Named European Capital of Culture 2016
Innovative gastronomy
World-class cultural festivals
Beautiful scenery
Excellent tourism services

Steeped in history and with exciting projects for the future, San Sebastian has become a vibrant tourism destination. **Come and see why.**



1. MARQUES DE RISCAL
The Frank Gehry-designed Marques de Riscal hotel, opened in 2006 as part of the company's City of Wine project, stands in bold contrast with the traditional village of Elciego, itself a major centre for wine production since the 16th century.

2. YSIOS
At Ysios winery, Spanish architect Santiago Calatrava made one of his trademark artistic statements with a rippling aluminium roof above a long wood-clad structure

evoking a row of barrels. Ysios is one of the Rioja Alavesa's most innovative producers, focusing entirely on reserve wines.

3. LUIS CANAS
Bodegas Luis Canas produces high-quality reds and whites at its Villabuena de Alava winery. Star chefs such as the UK's Gordon Ramsay and Catalonia's Ferran Adria have placed their faith in this family company's products, including Amaren, created as a tribute to the chairman's late mother.



Raising the Basque Country's wine-making profile

Writer: James Badcock

WINERIES The Basque Country's segment of the Rioja wine region is taking viticulture to a new level with a strong focus on innovation while carefully maintaining the vineyard traditions that brought it its fame in the first place

Rioja is known to wine lovers all over the world as a place of old vineyards producing rich, warm reds. Now, especially in the Basque portion of the territory, it is witnessing a pioneering quest to create new wines using a blend of modern technology and timeworn skills, as well as seeking different ways to bring viticulture closer to people and breathing fresh life into a tradition that stretches back thousands of years. Rioja as a designation-of-origin wine area straddles three Spanish regions: La Rioja, Navarre and the Basque Country, with the latter part being known as Rioja Alavesa after the southernmost Basque province of Alava. The Marques de Riscal winery is Rioja's oldest and, as its chairman Alejandro Aznar explains, the firm is responsible for the development of

the region as a world-renowned producer of excellence. "The Marquis of Riscal, who was exiled in Bordeaux, learned the techniques of ageing wine that he brought back to his vineyards, transforming wines from Rioja into a modern concept: aged, French-style wine in the 19th century." Anxious to lead the way into the 21st century, Aznar's firm reacted to the stunning success of the Frank Gehry-designed Guggenheim Bilbao art museum by asking the Canadian-American architect to work on a project. The aim would be to involve visitors in a celebration of Rioja winemaking techniques, the Alava landscape and vineyards, great Basque cuisine and, of course, the wine itself. "When we saw what was going on in the New World and how they presented

viticulture to the public, we knew we needed to move from the 19th to the 21st century," says Aznar. "We needed to start from zero. The Guggenheim put Bilbao on the map. Why not try to bring Riscal to the whole world through architecture too?" The spectacular ribbon-roofed City of Wine hotel was opened in 2006 and offers guests the opportunity to breathe in the still air in Marques de Riscal's old cellars, combine local wine with Michelin-starred cuisine at the restaurant, and even enjoy beauty and anti-stress treatments based on the natural properties of the grape and wine in a vinotherapy spa. The Ysios winery, where Luis Zudaire is committed to a range of research activities, including the development of experimental blends and investigating different oak

varieties for barrels, also took the plunge into modern architecture. Its bold design by world-famous architect Santiago Calatrava evokes a row of barrels under a wavy aluminium roof. This emergence of modern aesthetics amidst ancient vineyards and beautiful hilltop villages such as Laguardia creates an attractive environment that the region's business community is eager to exploit. Gregorio Rojo, chairman of the Alava Chamber of Commerce and Industry, recognises that a "world-class tourism experience" is being created in the Rioja Alavesa, a patrimony which the Basque Country government has recently awarded protected status. For his part, Juan Luis Canas, the chairman of Bodegas Luis Canas, accepts that innovative techniques are important, but argues that it is even more vital to pamper the vines that are the basis of his winery's internationally renowned reserves. "What really distinguishes us is our faith in the vineyard rather than in the winery.

That is to say, we believe more in the grape itself than in the process that comes after it," Canas says, adding that no herbicides or synthetic fertilisers are used in his vineyards. Bodegas Luis Canas' standout product is Hiru Tres Racimos, a wine made with grapes from vines which are at least 60 years old. "We look for vines with as few as one, two or three grape clusters. This creates a wine for connoisseurs," says the winery chief, who also acknowledges the importance of tie-ups with top chefs such as Ferran Adria.

A world-class tourism experience is being created in the Rioja Alavesa

Gregorio Rojo
Chairman of the Alava Chamber of Commerce and Industry

VIEWPOINT

What is your current production volume?
One million cases, of which five million bottles are from Rueda, where they make white wine. Seven million are Rioja.

How well does Spanish wine do on the export market?
Because of the crisis, all Spanish producers are focusing on exports, although they're doing it the wrong

way and focusing on prices. I think that Spain's strong point is its price-quality relationship.

What relationship do you have with the UK?
It's the biggest market for Rioja wine. But there's a lot of competition; people buy wine cheaply and there are wines from all over the world, which means tight price margins.



Juan Luis Cañas
Chairman of Bodega Luis Cañas

Q&A

What is your best-selling wine?
Our Crianza red. Combining all of our brands, we sell around two million bottles a year.

What countries have the biggest growth potential for you?
We export to around 40 countries but I would say Germany and Britain.

Do you have plans to boost online sales?
No, we are very respectful of our 58 or so distributors. They are the ones who do all the field work, and we don't want to bypass them. We establish monthly quotas. If we didn't, an entire year's production might be consumed by August.

Where do you see this company in the next four to five years?
My goal is not to sell more, but to work better so clients will be even happier. We don't have a business partner pressuring us into obtaining greater cash flow. We're not ambitious that way.

"What distinguishes us is our faith in the vineyard rather than the winery"



Alejandro Aznar
Chairman of Marques de Riscal





Bilbao's bounce

Crisis-hit post-industrial Bilbao's fortunes changed dramatically following the arrival of the Guggenheim Museum. Today, the museum has succeeded in breathing life back into the dying city and become an example of a modern approach to cultural and economic regeneration

"Initially there was scepticism. Nobody had used cultural infrastructure to drive economic growth"

Juan Ignacio Vidarte
Managing director of
the Guggenheim museum

"The Guggenheim is like an alien in the middle of Bilbao," says Alfonso Martinez, managing director of think-tank Bilbao Metropoli-30. "But Jeff Koons' 'Puppy' flower sculpture, which sits outside, gives it meaning. It attracts children to the museum, and children are the drivers of innovation, because they are unafraid of change." And it is

this innovation which is today embodied by Frank Gehry's rippling titanium structure on the bank of the river Nervion.

It was in 1991 that the Basque authorities, after several years of discourse around the region's redevelopment, put forward the idea for the museum to the Solomon R. Guggenheim Foundation. Juan Ignacio Vidarte, managing

director of the Guggenheim Museum Bilbao, remembers how it all started in what was then a city badly in need of a break.

"Initially there was a lot of scepticism," he recalls. "Bilbao was in a serious economic crisis because traditional industries were in decline. There were no previous examples of using cultural infrastructure as a driver of

economic growth."

But six years later, in October 1997, the alien landed and, as Vidarte points out, it proved to the people of Bilbao that change did not necessarily have to be bad. "That approach is what helped rebuild people's self-confidence." Bilbao's mayor, Ibon Areso, freely admits that his city owes

a lot to the Guggenheim. "It put us, a medium-sized city, on the world map." He says that in its first year, the museum attracted 1.33 million visitors, three times more than had been expected. "The impact on the Basque region's GDP in the first year of the museum being open was €144 million. It paid for itself in less than a year."



A destination can be just a place, or it can be a way of being. It can be a special building in which to do business, or it can be discovering that in doing business there is no need for the building at all. Perhaps this is why they say that there are two ways to discover a place. One way is to visit it. The other is to live it.

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