

**ICEX INTERNATIONAL CONFERENCE**

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***Moderator:******Javier Gómez-Navarro***

President, Chairman of the Supreme Board of Chambers  
of Commerce

***Speakers:******José Manuel Campa***

Finance Professor, IESE-Business School  
Navarre University

***Vicente Salas***

Executive Board Member, Bank of Spain,  
Head of Department – Business Organisation,  
Saragossa University

***Jason Pontin***

Editor In Chief, Technology Review, MIT

***Members of the Audience:******Attendees***

General Questions

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Javier:

[00:00:32]

For the final session of the morning, we are currently running, twenty-five minutes behind schedule. Therefore, we will try to make up a little time. This session is called "Competitiveness Factors in Spanish Trade". I'm to be the moderator. My name is Javier Gómez Navarro, Chairman of the Supreme Board of Chambers of Commerce, and a former Minister for Trade. Therefore, ICEX's anniversary gives me great pleasure as ICEX is one of the institutions which I believe to be among the most important of those participating in the internationalization of Spanish trade.

[00:01:02]

And whoever assumes a more relevant role always does so with successes and failures of different levels, whether their budget is small or large, with all the political trends that have been, yet in these last 25 years of development has played a fundamental role and been a key player, and I had the fortune to be minister of

associations for the institution in the years that fell in the middle of that 25 year period, the eleventh, twelfth and thirteenth years.

[00:01:30] It is now my pleasure to introduce you to our three speakers, all of them well known in the world of Spanish economics. Let me find the papers. To my right is Vicente Sales, the Head of Business Urbanization at the University of Saragossa, Doctor from Purdue University, born in Aragon, and known throughout the world as an economist and a scholar, member of the Executive Board of the

[00:02:03] Bank of Spain, and a person of enormous prestige and influence, as expressed by the Spanish economics community at large.

[00:02:32] To my left is José Manuel Campa of the University of Navarre IESE, another very prestigious figure, professor of economics and a member of the Santander chair group, as well as the corporate government and the boards of various financial institutions, holding a degree in economics from the University of Oviedo, with a doctorate from the University of Harvard, a man great prestige. Also to my left is Jason Pontin, the Editor in Chief of the Technology Review, published by MIT. My idea is to offer

[00:03:03] an introduction of around ten minutes and then each of the speakers will speak for about a quarter of an hour, even if I speak for a maximum of twenty minutes and we have to cut things short so that there is an opportunity to ask some questions and so that we can finish at the appointed time to be able to have lunch and continue in the afternoon.

[00:03:32] I am going to talk about a field which, given my experience, being someone who has worked as a businessman in the private sector for the majority of my working life, although I have also worked in the public sector too in my time as Secretary of State for transport for six and half years and almost of three years as Minister of Commerce and Tourism and therefore during my time at the Chamber of Commerce I have tried to analyze a little and with

[00:04:04] great detail although in the ten minutes I have there is only enough time to enunciate, barely, to introduce the topics. The elements and the conditioning factors of policy, the role of the public administration in the competitiveness of companies.

[00:04:32] And if I believe that the environment and the framework that the public administration creates for the financial and business world plays a vital role in the system's competitiveness and for company's inheritance. No, I talk about competitiveness and not productivity as often many people confuse the two, in an auditorium like this one it is not necessary to make this distinction but I still uphold that being productive is not the same as this is measured in quantitative terms,

[00:05:04] managing simple units of input of elements of finished products while competitiveness is the capacity to sell in a competitive and open market.

[00:05:33] And in competitiveness many elements influence mere productivity; above all those intangible elements such as branding, design, and another series of elements which generate the possibility to sell at a higher price, provide higher quality goods for markets; while avoiding the topic of public administration red-tape which affects competitiveness. I shall refer to three different fields “The Regulatory Framework”, “The Political Framework” and “Micro Digestion Policies”. I shall only introduce these topics as well as comment on specific issues.

[00:06:01] Some topics of the regulatory framework are evident when one talks about competitiveness, for example, the entire topic of the fiscal system is a topic which clearly conditions productivity, I wish to mention that within the fiscal system one speaks of taxes, evidently tax societies with a fundamental element in the early part of the nineties when it was fashionable to debate how to finance the system of social protection with or without VAT or with social security payments or company quotas.

[00:06:33] The topic became unfashionable due to orthodox thinking which imposed a model of balanced social security which therefore led to a procedure of quota financing, though now the system is being addressed again, the reforms made by the Germans and those which are already in progress in France have once again implicated a reduction in social security quotas and a rise in VAT so that a part of the of the social security system could be financed by imported products, that means that financing for the social welfare system, whatever products are sold in Spain, irrespective of where they are produced or manufactured.

[00:07:01] It is a topic of great debate still which is unfashionable in Spain but which is going to be implanted inevitably, following the changes made by the French and the Germans and in which I, on behalf of “the Chamber of Commerce and the Business System,” evidently wish to defend these reductions, the social security contributions and the rise in VAT in this market.

[00:07:30] Another obvious topic in the “Regulatory Framework” is the labor market, I mention this simply without speaking too much about this as I am short of time. Another topic is “Regulation of Competition”, the competition system is of interest but I do not have a (inaudible). Another topic is the “Green Revolution”, if in a green revolution in a

country like ours which has medium level of technological capacity if we move towards a substantial green revolution we will lose the competitiveness of companies, this is

[00:08:03] a very obvious topic, the recent declarations by the PP – Popular Party (Spanish Conservatives) who wish to make new laws concerning green issues, has already caused panic in the business world.

And where will this lead us and how much is it going to cost? Other topics which must be addressed when talking about competitiveness are those of “legislative excess” which means that politicians are not aware that laws cost money and that in the end this cost is passed on by the company to the consumer whenever

[00:08:30] possible and can sometimes lead to the departure of the marketplace. The application of costly laws in Spain has given place to an enormous “legislative excess” in the first place because Latin systems tend to have a robust legislative capacity and secondly because the administrative political decentralization of the autonomous communities has generated a multiplier effect of large scale legislation, so that we can have an idea, a study by the

[00:08:59] Barcelona Chamber of Commerce established that there are twenty-two thousand five hundred different regulations in force in the Spanish business world at the moment.

This means that the cost to the business community is substantial in all respects; another topic, and the last which I am going to mention is the “Efficiency in the Management of Public Services”, the state generates and manages around forty percent of the GDP

[00:09:28] depending on the country, some places a little more, some a little less, but the figure remains around forty percent of GDP, and it is badly managed. As it seems that it is a salient factor of efficiency and effectiveness and therefore the **(inaudible)** has to be proposed not only in terms of political ideology but rather in terms of efficiency to manage these public services; in order to speak in less combative terms, such as the topic of health care, I believe that everyone accepts that the state has to guarantee the provision of high quality health services, irrespective of income and the place

[00:10:05] where citizens live.

Yet who provides this service? It is an efficiency problem that the citizen is indifferent that a hospital should be public or private or that the doctor that they pay is a public or private sector employee, what they want is to have the guarantee of a good health service irrespective of who provides the service, the state has to guarantee

[00:10:30] the quality of this service, but it does not have to be the provider.

With respect to “Framework Policies” as the second main topic of competitiveness and of the economic and political framework of competitiveness and budgetary policy, I shall not mention these as they are very quick topics, the entire topic of “infrastructure” is a key one which has to be defined by the state irrespective of whether these are financed privately or publicly, there is a general topic of “citizen security” which is very important for investment and also there is a topic of “juridical security”.

**[00:11:01]** Spain is a country which is in an area of high “juridical security”, but in any case there are two topics of which I would like to make a special mention of one of them: “Spain has to improve noticeably in terms of justice”, that is the justice system is overly slow and doesn’t serve companies, that means, either there are more resources for the justice system to employ to respond faster or the justice system does not serve the needs of companies and then a

**[00:11:31]** negative sentiment appears whereby one starts to see a lack of faith in judicial judgments, meaning that the justice system makes the resolutions, these have to be backed by laws, judges have to pass sentences in accordance with the laws, rather than creating new laws for this purpose. The Latin system is much more bureaucratic and therefore gives less freedom to judges who are supposed to apply these laws but who fail to do so due to their excessiveness which in turn leads to still more excessive legislation as every time the judges fail to apply the laws, more laws are created to interpret previous laws which are then later not applied.

**[00:12:00]** We have a problem with the topic of “exterior connectivity”, as we have a serious image problem in this country, as the image of Spain does not correspond to what it really is, and we continue to offer the image of a rural country to other countries outside the Europe. No!

**[00:12:30]** Though in the emerging markets which are constantly becoming more important we have an image that does not correspond to our reality, for various reasons a touristy image has endured, that we have a country which is great for enjoying oneself yet we are not to be trusted from a technological viewpoint, and secondly due to the high percentage of our development, almost 25 percent to give an example - cars, don’t carry a Spanish label, which means a quarter of our exports at medium and medium-high technological levels carry no Spanish brand, so a person that buys a car produced in Spain does not know that the car has been produced in Spain, yet on the other hand they do know the Spanish origin when they purchase olive oil or other foodstuffs, of which there are many, but are of a low technological level.

**[00:13:04]**

[00:13:35] Touching on “Micro Digestión Policies”, I believe that this is a country which shows little business initiative as it is not promoted; in the Spanish cultural arena, the relationship of Spanish and of... closely linked between the Catholic religion and money, is complicated and with the profits from this, a large percentage of society still thinks of the profits from many activities.

[00:14:00] A little less sinful, the other day at a meeting of the Education Ministry authorities, I was told that the business sector could in no way defend the Spanish educational system and its deeply held cultural attitudes are hostile to profit and business which gives very little motivation to the business community to promote the educational system, rather the complete opposite is true, the statistics are frightening, there are less businessmen graduating

[00:14:30] at the highest educational levels, when the opposite should be true. A greater percentage of the business class can be found emerging from the lower the levels of the educational system while at higher levels there is a smaller business class.

[00:15:59] This is all rather arrogant. And we are not that way! We have an enormous bureaucracy, which is republican and impedes the creation of companies, granting of licenses, basic functioning as well as a company’s everyday tasks. No! This scandal nowadays is seen in newspapers and it is evident in that the bureaucracy allows 10 years to pass before companies are given licenses, as we have seen in the newspapers, because the ministries do not grant them, which doesn’t create a problem as nobody requests them, except in the event of a problem, which is thereby exacerbated because you didn’t have a license. Finally, I am going to talk about one more thing, well two, one is "The Educational System" which is what worries me the most of all the things I have mentioned so far, slightly more than the issue of business incentive and motivation.

[00:16:00] Yet it concerns me much more than the other areas. "The Spanish educational system" is a good transmitter of knowledge though fails to transmit abilities, by that I mean, languages are not taught well, an aspect which has a major impact on globalization. It is known that within thirty years everyone will have to be able to speak English in the educational system, the Baccalaureate must be maintained. I do not speak a word of English and many university graduates don’t either, yet nowadays what the companies demand in many aspects is more ability that knowledge, the educational system does not teach people how to write, nor does it teach how to speak in public, nor how to make decisions, nor the way to solve problems, it

does not teach the necessary skills to get through life and be useful in the workplace.

[00:17:03] It transmits knowledge which in many ways is obsolete and in the end what is important for the educational system is to study and learn, and if this is useful, then the educational system teaching people how to learn will mean people learn anyway. However, the majority of the things learned have no practical use for various reasons evidenced in that the university system has a high percentage of people who graduate then work in a field different from their studies. Therefore, as they haven't learned the needed skills and do not work in the field for which they are prepared, this is a problem in the education system. This is then a squandering of funds. My final point with which I will finish is that the SMEs need more help, in this country they are on average smaller than their European counterparts.

[00:17:29] Large companies need less aid, yet there are two areas in which the SMEs need support and the public administration should give it, they have to be able to provide their own internationalization. The innovation of SMEs is incapable of integrating innovation and needs support in these areas. With that I conclude my discussion and pass the floor over to Professor Campa. Many thanks.

[00:18:02] I would like to begin by thanking the moderator and also ICEX for inviting me to take part in this conference, and to celebrate their anniversary with them in the hope that they will have many more. At the end there will be a small recommendation for change and direction, but let's hope that it will be for the best. Thank you again.

José: In the division that we have put in this session we have had to come down a little from the competitiveness factors of the “Spanish company” from more macro aspects to more micro ones. For this reason it falls on me to talk about the more macro-economic part of the aspects of competitiveness in the Spanish company, so I am going to talk basically about three things, the concept of this competitiveness is an old concept and I am much more pleased that the session is called “Competitiveness in the Spanish Company” rather than talking of competitiveness in Spain.

[00:18:31] Because this is a concept which is overused at times, and that countries compete is a famous phrase which must have originated from a sacred text though I am not too sure. Those who compete are the companies, so the companies should look at the macro-economic aspect of how the country is going to evolve, so it would be of help

to know to what extent it helps them or not to compete, but not to think that Spain is truly competing for them because myself as a consumer, finding a company that produces, in the short term, what we are looking for and offer me the product most cheaply makes the sale, then in so much as the aspects of competitiveness are this focus, if I go too quickly it is because I know some of you are already tired from the previous session and I only wish to highlight here the impact that this has for companies.

[00:19:00]

The traditional focus of productivity talks a lot about, and I shall refer to this later as an integral focus, or one which is wider reaching, though not yet, the traditional focus as we all know have two basic components, the balance of the current account and the competitiveness of prices within the exchange rate, or such like.

[00:19:29]

As a result of this, as was commented on before, was the trade balance that Spain has. Here then, there are two readings; one is that this is a tremendous problem of competitiveness because we export less than we import, I believe that this is the correct reading, and that this is a great opportunity for profits and competitiveness for Spanish companies.

That this is not reflected is basically because we entered into the Euro, we have a capital cost and a financing capacity to invest that we have never had before and it is a great opportunity which must be taken and the balance reflects this.

[00:20:03]

For an example of the five major deals between European companies in the last three years, four have involved Spanish companies, we are active investors at levels that would have been impossible ten years ago, we are also active buyers of land and property, these actions have taken us to what probably our productive structure marginally has centered to serve these actions

[00:20:32]

which are not completely commercial, and cannot be imported, yet from the point of view of the companies, this definition I believe reflects more than anything a great opportunity, an opportunity to make money that we have never enjoyed before which was practically given to us on a plate six months ago.

[00:21:01]

If we assimilate this, I suppose the relationship between those which have the healthiest current accounts in the world with respect to surpluses and deficits, we see there are countries with large deficits which we consider to be models of competitiveness, one for example is Ireland, and also the United States, or Australia, while there are others on a lesser scale like Portugal. Though we also have other examples of countries with a very healthy current account like Switzerland, or the Chinese model, similar to that of Japan.

**[00:21:28]** For this reason it is not fair to make a relationship between balance of payments and competitiveness on a business level, of course, in Spain's case the balance is reflected fundamentally by a capacity of access to financing that was previously unthinkable and an investment opportunity also unthinkable ten years ago which means that this focus is probably more positive than negative.

**[00:22:00]** We have talked a lot about real exchange rates, basically here we potentially are at a disadvantage, it is the relative cost of our products which has increased, and this can be measured by the difference in inflation and the price index which is used to measure both inside and outside the Euro zone. It is the same more or less as the euro fares as we can appreciate that it will also do us damage, for this reason, we are missing opportunities, it is true as well that this has been linked to an apparent increase in important labor unit costs. No!

**[00:22:31]** This is a phenomenon that seems a little paradoxical for Spain's situation after mentioning productivity, it turns out that we apparently assimilate this when what happens is that prices of products and especially the price of labor are rising and there has been a tremendous slump in the price of capital which we would expect would cause an increase in investment coupled with a decline in the relative use of employment, I suppose the paradox is that the opposite has occurred, the opposite for a strange reason perhaps on a strange note perhaps due to focusing ourselves too much in serving local demand, or to thinking too much in the service of local demand more than the companies which are participating in the commercial activities that have had an emphasis towards the non-commercial sector.

**[00:23:02]** Well, this point is clearly whether it has been negative to competitive interests potentially for Spanish companies, although as we have said before we measure the effect of the real exchange rate in commercial terms and this has been better, probably because there has been an adjustment in the margins.

**[00:23:30]** The productivity focus is another alternative focus on whether we are competitive or not, well, all of us here know that the GDP in Spain is growing relatively little, and at a very low level from 1995 to 2005, it particularly seems that there has been a structural change since entering the 80s and through the 90s. The 80s saw annual growth of 4% and from 1995 to 2005 that level has been around 1%. Whether this is an advantage or a disadvantage we do not know with any certainty as it is a leftover from that period and we do not know

how to explain what is happening, we simply recognize that it is not growing.

**[00:24:00]** The reason that it's not growing, in the end, is of little importance to us, productivity per capita shows the level of our growth. Here I have made a small summary of income per capita and avoiding all the passive intermediate terms, income per capita is little more than productivity multiplied by employment levels, times activity level, it is not known at times due to the number of people we have working, or for the number of people who wish to work, this is the activity level, the number of people who want to work that we have occupied, which is one less the employment rate of unemployment which is "u". One minus "u" by the productivity, then the per capita income has increased but not so much like in other aspects if we measure why we have a large increase in GDP and also in  $N$  and of the population yet it has increased.

**[00:25:02]** And what are the things which are contributing more and more to this increase in these three aspects? The use of aspects to the right rather than those to the left and productivity levels and the fall in the unemployment rate. And what explains our wealth is quick, basically, quickly we can make comparisons with the European Union and the United States, and we have.... The European Union has an income per capita of 75% that of the United States and if we look at this then this explains why.

**[00:25:30]** What explains this difference in terms of what is written here is basically that all is explained by the fact that Europeans work three quarters of the time Americans do although our productivity is exactly the same as that of the Americans, simply we work less and we can discuss why we work less.

If we look at Spain, the surprises are a little different from the rest of the European Union, we have approximately 85% of the per capita income of the EU yet Spaniards work the same amount as Americans, we work the same as the Americans, and much more than our European counterparts, but we have a lower productivity rate than the rest of Europe.

**[00:26:01]** And why is this? The truth is that we just don't know why. There are three basic ideas, our working hours as we say in Spain is to the right of that of the Anglo-Saxons and we do not appreciate this. There are good things and bad things, there they work a lot, and so if we work as much as the Anglo-Saxons, not like the Chinese, rather like the Anglo-Saxons, who are the only ones who really work in the rich countries, while the Europeans, the Dutch, the Norwegians, the

French, the Germans live better than us in the main and work less, and that is what annoys us, yet this is a paradox.

**[00:26:31]**

It turns out that we say that the labor factor is rising and that the capital factor has fallen, and then in summary we say that labor costs have risen.

**[00:27:01]**

Capital costs do fall, we work more than the Europeans yet we invest less, this is a problem and I believe that we have to rethink our position. The reason that Spanish companies stand before this movement, relative prices require the contracting of a large labor force despite the costs of labor increasing and it turns out that we invest much less capital which is apparently cheaper and why this is so, I cannot tell you, although I would like to have a study about this, something that explains basically the contribution of the relationship with productivity.

Now I am going to skip over what is practically the relationship between productivity and hours worked and now up to this point we have something of an answer. A large part of our increase is the amount of work in non-commercial services, perhaps this sector is under-represented here and those that are over-represented belong to the commercial sector.

**[00:27:29]**

Yet basically, also, and at the same time, a large part of the productivity loss or new productivity is happening in those sectors which are not represented so if I read these correct data what happens here is basically the industry, well, one, contracts more for productivity as well, so that this is not a problem of competitiveness not in Spanish commercial sectors but rather that we have hidden this in the national aggregate because the problem of productivity is in the non-commercial sectors, not in the commercial sectors, something which is in industry's favor.

**[00:28:00]**

And above all if I look at agriculture, for example, productivity is up in this sector and looking at the energy sector, which has many great advantages in comparison, this sector is also going very well. In Spain the sector which is most represented here, and I am not sure about this, though we have grown a lot in terms of the labor market, a lot of employment has been created however the working population has grown by 10% when we measure more integral aspects of competitiveness measures, and with that I finish.

**[00:28:31]**

Javier:

You still have another five minutes.

José: For this reason what we find here is that basically measured competitiveness, without being an economic concept, as the economic point of competitiveness of a country does not exist independently of political and institutional factors which determine the capacity of the economy to generate economic growth and prosperity in a sustainable way, and this does not mean exports, this does not mean selling internationally, it simply means generating economic growth, and if it is the case that economic growth is generated by what one buys at home, then all the better. We don't have a problem with that, do we?

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For this reason if factors are determined which make it attractive for companies to move to certain geographical regions, this is an important point, as I believe that 25 years ago maybe ICEX should have been ISFS. I believe it should be ISFS which would be the Institute of the Spanish Foreign Sector not including foreign direct investment in both senses, the fragmentation of added value has little meaning as I have been discussing here, talking of business, here we have competitive indexes, those that Spanish companies have taken from the World Economic Forum. I also have another two which I will omit so that the moderator does not attack me, but basically we are the 29th most competitive country out of 131 and here you have the various factors that make you ponder why these can be seen only when outlined. Some are positive; we have a good infrastructure and an attractive market size for companies.

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[00:30:02]

And here are the negative points which I believe are a little surprising in one aspect. The efficiency of our labor market is very negative as is our market efficiency and as the moderator mentioned earlier, we have problems with innovation which is affecting our institutions.

This is rather surprising, and it surprises me that we have a deficit, by a long shot the worst aspect is the efficiency of the labor market, we have generated the most employment of any European Union country of OFD in relative terms in the last 10 years which means there is a problem of either communication or understanding or maybe it could be due to bipolarity in the labor market.

[00:31:01]

Well, it could be that the labor market is what is growing, we do not consider this relevant for companies and I don't know very well if it is due to a communication problem, but we are the most dynamic labor market of the OFD, however we appear number 95 in the ranking out of 131 countries. There is important work for ICEX to do... to communicate this, though this may be tedious.

A very dynamic labor market, efficient market institutions and also the development of our multinational companies is also important, not all, but the large majority of which, we will have to keep in mind, came from highly regulated sectors or sectors closely linked to the public sector.

[00:31:31]

The large majority of them, the construction of ways for the public administration and the financial companies, which are highly regulated, management companies for infrastructure, large scale operators, energy companies in their regulated sector, what we have here seems an apparent paradox yet they say that we have bad institutions, yet we have good Spanish companies, maybe we have good companies to manage with bad institutions, I don't know, they only give to countries that have bad institutions which may actually be the paradox.

[00:32:01]

For this reason, it's not that we have an image problem as the moderator has said, apparently what causes this negativity is being good.

Not being bad when we compare ourselves.

[00:32:30]

If we look at this in general terms you see we have a network where we compare ourselves to rich countries which, externally, is favorable yet, internally, it is negative and, as I have said, here we have innovation as the most negative aspects of our institutions and efficiency in the labor market. This happens if we measure against other indexes like the Genesis Foundation in the case of economic freedom, after looking at the 7 freest countries, well, it is not clear that economic freedom is itself an objective measurement, yet isn't social well-being an indicator? In that we appear in the top few yet it seems to me that Spain is number 21 approximately in economic freedom when the factors all remain the same. It does seem that there is a relationship between being freer and having more growth, it seems that we export; the factors which make us seem negative are related to the labor market and to semi-public institutions or regulators. Looking at the World Bank index,

[00:33:00]

which is another index that you have, then we have exactly the same problems, what I have highlighted here, are the first and the third points which are opening a business and contracting and firing workers.

Again, in a labor market which is apparently the most dynamic in the European Union and the OFD.

**[00:33:30]** In terms of corruption it is exactly the same, Spain as a country, we are situated in the index more or less in the 78<sup>th</sup> position in the middle of the table which appears slightly to the left.

**[00:34:00]** So to conclude, and I would say on this that we have apparent losses in competitiveness in the Spanish economy and I would say that these losses are linked to opportunities for companies of the commercial sectors which must be taken advantage of and are being camouflaged within the global environment of the evolution of our economy for which there has been a notable decline in the cost of capital. We have had the capacity to finance at prices that we have never been able to before, apparently there has been an increase in the cost of labor yet companies continue to employ workers which would mean an extremely dynamic labor market, that would be attractive for them and I would like to understand this paradox a little.

**[00:34:30]** Because if employment increases and capital falls, we hire more workers yet do not invest, this is surprising that after we have an image in the aspects in which apparently I believe we are bad yet in the labor market we are seen to be bad and have companies which are not especially outstanding in areas that have to do with administration and innovation, there it is apparent that we have a bad reputation but I don't know if we have a measurement problem, on that I cannot voice my opinion. With that I believe my 15 minutes are up.

Javier: Perfect.

José: Many thanks again for the invitation.

Javier: Vicente.

**[00:35:31]** Vicente: Good morning. I would also like to thank ICEX for their kindness in inviting me here to participate in this session and congratulate them on their 25th anniversary. Well, after what Professor Campa has said, my topic for discussion is the more macroeconomic in nature and, from what I have prepared, I would first like to distinguish between competitiveness of companies and competitiveness in the economy as a whole. I believe a great deal has been said about this so I would like to highlight the differences between measuring competitiveness in companies and productivity versus profitability.

**[00:36:01]**

I also wanted to talk about the evolution of production costs in Spain and more in terms of market quotas than in terms of prices, which is more commonly used. I also wish to briefly refer

[00:36:32] to the “internationalization” of companies as an indicator of competitiveness, and finally make some evaluations looking toward the future.

Perhaps as a starting point for the topic of “competitiveness of companies against competitiveness in the economy as a whole” is taking into account what has been said earlier. It is true that the companies compete, I believe that we have an additional element which is the topic of “heterogeneousness” that means that the

[00:37:02] economy on average is a balance, this balance reflects a population of companies which are very heterogeneous and numerous, for which the average companies represents, yet does not tell us what really happens in the economy and I believe that this is data that we have to take into account when we see that there are indeed brilliantly performing companies in Spain.

And when we also see that as a whole there are results that perhaps don’t please us, another question to move on is the topic of “how do we measure income, the competitiveness of companies” and as we measure this as a whole of the economy and of course as measurements of the commercial balance, differential averages in

[00:37:30] prices and inflation have already been discussed as has whether productivity is an indicator of, shall we say, capacity in order to

[00:38:02] maintain well-being for our citizens in a sustained way above all when this is at the cost of not sacrificing employment. I believe then that this integrates a little the perspective that Professor Campa has provided earlier.

Yet it is evident that companies in general, or at least the business community in general when they talk of competitiveness, do not look at productivity. It is not usually an indicator that companies

[00:38:30] use, they prefer to use profitability and one the biggest paradoxes, when talking about continued paradoxes, to previous reflections I have made a comparison with data from the Bank of Spain along with macroeconomic data on how profitability has fared in companies in periods in which we have had a decrease in behavior, perhaps negative, in the evolution of productivity which means

[00:39:00] we are in a period in which profitability from actions, from ordinary operations, not even do we have here the effects from extraordinary profits, has been maintained perfectly in line the average financial costs in each period.

And not only for the total number of companies rather for the entire industry, that means that companies were basically more exposed to international competition in the period between

[00:39:31] 1995 and 2000 with a reverse in productivity, especially total productivity in factors, the differential here is 4.3 and it is evident that Spanish companies, in terms of profitability, we would say that they are highly competitive during a period in which the economy, in terms of productivity, has not gone so well.

Of course it could be said that we are measuring productivity in the economy and we should look at productivity of companies as well as estimations on productivity at a company level which are made with data from surveys on business strategy, for example, that they are also detecting that these measurements at a company level and

[00:40:01] in terms of manufacturing have seen a significant fall in the growth of productivity, above all, the productivity of these factors.

In the last period with respect to earlier, though clearly profitability can have elements of efficiency, but it also has pricing elements and therefore we cannot understand the behavior of profitability without looking at prices and, in particular, I wish to look at costs, production costs in Spain

[00:40:30]

Other data from the Bank of Spain are added from companies and not the economy as a whole, yet I believe that the business population which regularly works with the Bank of Spain is, it can be said, the fabric of the business community and therefore I believe that we are talking about the most usual companies in the Spanish economy.

[00:41:00]

It is true that labor costs per worker in terms of salaries have gone up in this period and that financial costs have fallen, the development factor remains constant and labor costs on top of added VAT that these companies go down, this means that despite the rising labor cost per worker, this has been less than the aggregate growth per worker, always in terms of salaries, and the

[00:41:31] competitiveness index takes into account prices in comparison with other countries' exports with Spain, which have also seen a fall in this period.

On the whole I would say that in Spain production costs in the last 5 or 6 years have not increased, because the cost of production has been compensated by the cost of capital, but I would like to take advantage of the opportunity to raise one of the questions brought up by Professor Campa to make an observation, the average costs for companies in 2000 was 6% in average terms with respect to debt

[00:42:00]

costs whereas in 2005 it was 4% which represents a drop of a third in financial cost.

**[00:42:36]** But the cost of the use of capital is the decrease plus the cost of financing, and therefore if we have an average decrease of 10%, the decrease would only be 2.5%, so here it is very important, I believe, to distinguish between the effect of the decrease in financial cost according to the type of economic activity, those which don't fall in value, and for this reason we can see the spectacular growth in the real estate sector and construction

**[00:43:01]** because here is where investments do not lose their value and where this 33% slack has been concentrated, yet on the whole, in industry for example, we can think that depreciation levels would be more or less in the region of 10% and the slack much less.

**[00:43:30]** On the other hand, I believe that labor costs must be distinguished between average costs and marginal costs and I believe that marginal costs have been clearly falling, and though not reflected in salaries yet in real terms, it has been extraordinary, surprisingly falling in these years due to what immigration has entailed; and therefore I believe that in relative terms in normal productive sectors and I believe that in the relationship between capital and labor, if this can be explained by the evolution of relative prices, and rather the intensification of certain activities in the real estate sector then I believe that they can be explained by the fall in financial costs.

**[00:44:00]** In terms of prices, we are in an open economy and integrated markets with prices fixed by the market and therefore I believe that competitiveness in prices has to concern us as measurements in the inflation differential may bring with it increases, increases in labor costs, something which I repeat has not happened in the last few years in Spain.

**[00:44:32]** On the other hand, in this way, I suggest that we look at competitiveness in terms of market quotas, rather than in terms of price differentials, and especially in the most integrated markets where prices are fixed by the market rather than the companies, in terms of market quotas in, in terms of salaries in Spain, has had a movement backwards in the quota of worldwide commerce and here I show the figures I believe to be up to date but it seems that these are the first transparencies that I sent, though there is little

**[00:45:02]** difference between them in terms of Spanish production with the quota rising in these years.

We could say that we have all these activities which are not commercial in Spain that may have caused a weighting effect on

[00:45:32] evolution of Spain's quota in terms of gross VAT, the whole of industry here and in the European Union where we are in an integrated market, and in this integrated market in nominal terms we have increased our quota and I believe that this increase in nominal values is an important part, and simply we have sold products at very high prices, rather than that we are covering the inflation differential. I would say that in terms of market share, the economy, or the Spanish companies, have made it reasonably well.

[00:46:06] In terms of internationalization and competitiveness, that means the internationalization of Spanish companies is indicative of more or less competitiveness and well clearly the message on the whole is that a greater level of internationalization will unite with greater competitiveness and I would like to offer you some further data,  
[00:46:26] which is taken from a survey on business strategies from companies with some indicators on international activity both in terms of exporting and direct investment.

[00:47:00] It is true that in exporting terms the figures on internationalization for manufacturing companies agrees with this sample as small companies have stopped growing, that means that for companies of 250 workers, more than for companies with more workers in the last five years, the volume, the percentage of companies that export are at fifty percent and the percentages of sales which are dedicated to exports has held firm, which, in theory, may seem reasonable in a period in which internal demand has continued to rise notably, here what is important is, in my opinion, that companies have not lost the clout to sell perhaps in the home market where they are a little more comfortable though if internal demand falls or slows down then they can continue to redirect this activity abroad.

[00:47:30] The second row has a percentage of companies which have a subsidiary company with a significant participation in foreign capital and this percentage is clearly rising in the last five years also in companies that employ less than 250 workers, below in the column in the third row where we can find these subsidiary companies and evidently an important part is in developed countries, here there are in many places, but what stands out is the

[00:48:04] fact that this is no longer a Latin American phenomenon, the percentage of subsidiary companies which are in Latin America is now stabilized, and this percentage of others?

It seems to me to be of great interest that in medium and small size companies the percentage of others from outside the developed countries fundamentally OFDs that this percentage has risen from 10 to 25% in the last 5 years, it is true that an important part of

- [00:48:30] these subsidiary companies abroad are still companies that commercialize but they have very little do with the topics of “internationalization and competitiveness”, here we have some comparative data between companies that have production subsidiaries abroad and evidently these companies in this position abroad are companies that have more intangibility, they have
- [00:49:00] greater productivity and their staffs are better trained, that means that the Spanish empirical evidence, evidence that we have about Spanish companies is that internationalization is a sign of competitiveness and therefore, the fact that Spanish companies adopt internationalism means that these are companies which continually increase on a scale of efficiency and productivity.
- [00:46:36] Well, to finish with and to keep within time constraints, I would say we have to look for an argument which reconciles and surpasses some of the paradoxes which have been mentioned here such as the differences between, for example, the level of profitability of companies compared to productivity standing still and I believe simply that what happens is that companies have found the possibility of maintaining levels of profitability, by using
- [00:50:02] resources with lower marginal costs and therefore they have seen themselves to be less pressured in terms of this productive improvement. I also believe that we cannot lose sight of what interior growth has meant for the Spanish economy in the last few years and probably for the effect of wealth which has been produced as a consequence of the fall in interest rates and the
- [00:50:27] stability brought by belonging to the single currency of the Euro makes it evident that interior demand, interior consumption and demand have grown in excess of production potential, the growth potential of the Spanish economy unnecessarily has to bring with it a deficit.
- [00:51:02] Another thing is that in which sector has this growth in demand been concentrated, and if these sectors are going to become profitable, well, in those sectors which are productive in order to continue generating income with this that give back financing in the future, and another piece of data which I find interesting is that the wealth effect has changed the mixture of the range of products which we consume in Spain, we are importing from within the automobile sector which we put in a sector of medium technology, it is evident that there are many ranges and if we look simply at what is going on in the street we can see which brands are increasing their market share in Spain, and those are the ones
- [00:51:31] which we do not produce here, and statistically we are increasing the importance of the Spanish economy in sectors based around medium level technology, while in demand we are buying other brands.

Therefore, I believe that the challenge we have before us, supposing that in the future we will continue to have difficulties to carry on taking advantage of the advantages of costs is a qualitative leap, that means that Spanish companies must move towards ranges and brands or activities, let's say for the sake of

[00:52:01] argument as well brands with higher levels of VAT chargeable or with a greater capacity for differentiation in prices which can translate from behind this capacity for the growth of our range of products, I truly believe that in quality management and also believe that at the present moment in time we have a sign which tells us that our quality management set up is going in the right direction and so by taking advantage of the data which [inaudible]

[00:52:32] has prepared and whose chairman is here today, I would like to thank him, as I have brought with me some data which informs us on the evolution on the formal education of the business class in Spain.

Mister Gómez Navarro before mentioned that previously in Spain the business class is amongst the lowest levels in terms of education, for example in the eighties the average education level

[00:53:04] of the business class which was renowned at the time, those working in business received higher salaries than the rest of the population, of the active population that is, and there are effectively fifteen years in Spain, from 1980 to the year 1995.

I would like to show you another graph, once again it was not the one that I had sent but never mind even if it is not up to date either.

Javier: Never mind.

Vicente: The pink line is what one has to observe to see the growth of formal education of the business class in the period between 1980

[00:53:31] and 1995, here everyone is represented, it is clearly below the level of formal education of the... of those working as a whole and I believe there is a reason here and this is the period in which Spain will create its period of well-being and it is evident that all Spanish degree holders feel a certain attraction towards the public sector.

[00:54:00] Yet in the last ten years this has not been the case and a significant improvement is being produced in the average of formal education of the business class, especially those graduates with salaries, this for me is a positive signal and I have also allowed myself to bring to you this positive message from which one would take from the session. In the final part, for which it falls to me as a professor of a university, is taken from the recent press from the staff of

[00:54:30] companies, as they say that in the end the educational system forms the capacity for imagination, I would be tempted not to bring this sentence as this comes from the business world to this forum so I think that, at least this compensates a little the poor image that we have as graduates, that we only wish to produce, businessmen..... sorry, civil servants and we do not wish to produce

[00:55:05] a new business class, well, thank you very much for listening.

Jason: Buenos días, gracias. Like professor Grossman I must apologize, Spanish is one of your nations greatest resources but I have not sufficiently invested in the language of Cervantes and Panarotta

[00:55:28] but I will speak briefly and I will not give you any delay as well so we can pass over to lunch very quickly. I am the editor and chief and the publisher of MIT's Technology Review. It is the oldest technology magazine in the world. It is holy owned by MIT and it describes merging technologies and explains their impact for a global audience of technology leaders and executives.

[00:55:58] In English we publish a daily website and we publish a magazine in the United States but also we have publications in China, in Italy, in France, in Germany, and here through our partners at EOI we publish a magazine called Innovation where we attempt to do the same thing for the Spanish market.

[00:56:31] I am going to talk a little bit about the international perception of Spain as a nation that encourages entrepreneurship and harvests innovation and explain a little bit how we have worked with ICEX for the last two years in order to change that perception of Spain, but before I begin to talk about that, I would like to go and thank ICEX for having me here and also to congratulate them on their 25<sup>th</sup> Anniversary and to compliment them for the extraordinary story of how Spain has transformed itself into being a exporter over the last 25 years.

[00:56:59] In common with many educated people, I can't say that my perception of Spain five years ago was as atavistic as old fashioned. I should think of you all about what's the phrase siesta, fiestas, and bull fighting but I think I did perceive you as largely being a more less closed economy, depended on tourism, with a high-basis in agriculture and not a country that was by any means a

[00:57:34] leader in innovation and entrepreneurs and particularly in the technology sector.

Beginning in 2005, my impression of Spain was transformed. We partnered with ICEX in order to promote new technologies in Spain

[00:57:57] and to showcase the most innovative Spanish companies we could find. Over the last two years we have completed seven parts and the eighth, which is about industrial machinery and will be published in the March issue. We've been publishing these special reports in print three times a year both in the Technology Review which is published in the U.S. but also in Technology Review in China and with our publishing business partner Business and Economy in India.

[00:58:26] We try to select the eight areas that we thought were most representative of Spain as a leader in technology and it perhaps might be interesting if I told you what those seven special reports that we have so far published are. We wrote about biotechnology in Spain, about desalination and water purification, about wind power, solar power, infrastructure development, aerospace, and high-speed railways in Spain. These sections also published as a custom brochure that ICEX distributes at conferences across the

[00:58:58] world and we have launched a very robust microsite on our website where you can see all these content along with multimedia extras. When you next have a chance I urge you all to go to your computers and type in [www.technologyreview.com/Spain](http://www.technologyreview.com/Spain) and you can see some of things we've been talking about. It's all very interesting I mean a lot of if surprised me.

[00:59:30] I could talk about renewable energies which you are justly proud of in this country. I don't think it is widely understood that Spain is the second largest builder of wind power in the world and is in fact the leading developer of solar power, but I thought I might spend a few minutes talking about desalination and water purification because I think that is a really good example. A classic example of competitive advantage, which is what the theme

[00:59:58] of this panel and indeed this whole day has been. Spain essentially founded water purification in its modern form.

[01:00:29] The first moderate water purification plant was built in the Canary Islands in the 1950's and indeed the seven or eight companies that now function around with the world building water purification plants by large all had their beginning in the Canary Islands. The essential innovation which Spain brought to the area of water purification and desalination was to overturn the traditional method in which it was being used in the United Arab Emirates and in Saudi Arabia. In energy rich portions of the world the traditional method of doing water purification was to boil or to evaporate saltwater in order to purify it, which made a lot of sense economically in an energy rich area like Saudi Arabia but made very little sense say in the Canary Islands.

**[01:01:01]** Based upon some really basic research and with a hint that derived from biotechnology, Spanish companies used a process called reverse-osmosis, which sounds what it is. Just as in a plant a concentrate can be passed to a distillate through a membrane in modern reverse-osmosis. Water is purified by pushing it at enormous pressure and the concentrated saltwater through a man-made membrane into a purer form of water. This has been enormously successful for Spanish companies. As we speak, there are seven water purification plants being built in Algeria. Seven of them are being built by Spanish companies and as we speak the largest water purification plant ever built in Chennai in India is also being built by a Spanish company called Befesa. But I want

**[01:01:30]** to look a little forward to the future because this is a competitive advantage that isn't going to evaporate.

**[01:01:59]**

Jeffery Sachs the Harvard Economist, the founder of the One World Initiative has said that "water is likely to be the single most important resource problem of the 21<sup>st</sup> Century" and Spanish companies have thought very intelligently about how to retain that competitive advantage in water purification in the coming century.

**[01:02:30]** Reverse-osmosis is a very effective way of purifying water but it is still extremely energy expensive. It burns an enormous amount of fossil fuel to achieve its end. The Canary Islands Institute of Technology has been innovating some very interesting new technologies where they use renewable energy such as wind power and solar so that water can be purified with no actual demands

**[01:03:00]** upon the energy grid. Now, I think this is exactly the kind of thing that Spain leads the world in. These are not perhaps the technologies that we think of when we think of about Silicon Valley but they are technologies that you have a competitive advantage in.

In conclusion, I just want to say that I think that your principle problem in this country and I can't explain as a stranger is not that you do not have a competitive advantage but that they only exist in certain sectors and that you are extremely modest, too humble perhaps in expressing what some of those new technologies are. We hope to be able to work with ICEX and with EOI and our other Spanish partners to continue to communicate some of these new technologies. In fact, as we speak we are web casting this very panel to the two million people who received Technology Review

**[01:03:29]** around the world. So you are all in fact on camera as we speak. I want to say thank you again to ICEX for having me. At that point, I will turn the panel back over to the moderator.

**[01:03:58]**

Javier: Now it's time for any questions you may have.

Audience: Good morning my name is Allan Fetis and I was in Spain when  
[01:04:40] Doña Collares was in charge many years ago and I know something  
[01:05:01] about tourism from working in the OMT. We had a brilliant tourism  
minister named Javier Gómez Navarro, my  
[01:05:31] question is this. In El País newspaper it was published in June 2006  
that Spain had 450 companies in China whereas Italy had 1,500 and  
France 2,000, the second deputy president of the government said  
the minister wasn't bothered as he wouldn't be  
there in 25 years. What I am interested in is my daughter who is the  
same age as Javier's. What does Spain have to do not to be the third  
of these three European countries? Many thanks, if anyone can  
answer, we left this question open.

Javier: Professor.

Vicente: I believe in inertia and therefore we shouldn't see is this  
[01:06:08] percentage is coherent in a story, I don't think it is a question of one  
opinion, therefore before making a reflection on this question apart  
from saying what Spain has to do, which I believe is continue the  
improvements begun to the institutions, this has been said, I  
[01:06:32] believe this is a subject that we cannot leave behind, we must correct  
communication problems, as I also agree that they exist, I believe  
that the process of the internationalization of the Spanish company is  
a process which is done adjusting to, as I see it, using the resources  
of the economy and I believe that the numbers that  
[01:07:00] have been given correspond though I would have to study this more  
thoroughly in order to be able to give you a fuller answer.

Javier: **José** Manuel, would you like to add anything?

José: I don't believe that Spain has to do anything. It is the companies that  
have to do something in the first place. Once this has been said, what  
Vicente has said is true. The tendency, clearly, if we  
[01:07:29] look, obviously, more positively than the stock reflects, in fact I am  
surprised by these numbers and I think them to be enormously  
positive, rather than negative. I believe that in the medium term,  
without doubt, that we will have a larger presence in other countries,  
not only in the financial sector where Spain's two big banks in the  
last six months have positioned aid in an aggressive way, and in  
other less known sectors due to this paradox, yet for example, the  
main transport infrastructure operator in China is a  
[01:08:01] Spanish operator.

And we other people, many other companies that are working there,  
perhaps the irony is that possibly we don't even believe this, as

Jason has commented. Yet the amount of companies that are operating there, between 40 and 50 thousand, I see as good news.

Javier: Yes and I would like to add something, I believe first that, and I don't know if it has been mentioned here already, the **[inaudible]** but what is true is that the base of Spanish exporting companies is very reduced, between 30 and 40 thousand companies which are habitually in the exterior market, this is a fact, and although some of the companies are very important, the number of them is still low. Secondly because Spain, still a small business community, there is still a culture of only exporting what cannot be sold internally.

**[01:08:32]**

And is this because internal sales are more profitable in terms of commercial costs which are much lower inside the country than outside and whoever manages to dominate the interior market need not worry about exporting and they have things sown up, and this image of an American style of setting up of a small business in their garage which then becomes a multinational does not occur in Spain. The majority of the companies do not want to go beyond a certain level of size that they are capable of running and managing, it is not important to have unlimited growth, as in one sense a very important part of Spanish companies amongst other the model of the Spanish family company which due to many reasons such is its management means that there is an upper limit of growth and there are more profits to be made internally than by exporting.

**[01:09:00]**

**[01:09:32]**

Well, a good critique and for that reason you have not updated your **[Crosstalk]**...as organizer.

Audience: I would like to apologize for that.

Javier: Very well, Vicente, the graphs have not been updated.

Audience: For not having the sufficient speed to change and update rather but not for **[Crosstalk]**... I didn't want to touch on something that doesn't concern me, there is no other remedy than to fall to the temptation before the date with El País digital, yet the vice-president of Alstom is a state commercial expert and chairman of the first organizers of the Spanish Institute of Foreign Trade, which in some ways shows these statistics with respect to education or returning to the public or private sector. We also have to look

**[01:10:04]**

after the process of mobility from one sector to another and, perhaps, it is not free the formation towards the public sector passing into private hands and I believe that in this we can see the United States as a good model of mobility. Thank You. That is all.

**[01:10:31]**

- Javier: Yes, Francisco Pérez. Your question please.
- Audience: I wanted to make a comment on the paradox which Professor  
[01:11:06] Campa has put forward. With respect to the evolution of prices of  
productive factors and the evolution of the intensity with which  
employment has been created in this country, yet the data on levels  
[01:11:30] of growth of private state capital excluding the housing sector are  
even more spectacular.
- José: Yes, indeed.
- Audience: The growth of employment has increased at a rate of two or three  
percent per year in the last 10 years and capital by four or five  
percent, therefore the relationship between capital – labor, the  
number of hours worked is growing and companies have reacted to  
what would happen, haven't they? This does not eliminate all the  
paradoxes that can occur like how we can identify the allocation of  
[01:012:01] capital per worker and we don't know that productivity increases.  
About this there are two premises from these theories. Is this not the  
case? One is that whenever the intensity of the use of capital  
increases, then productivity will increase accompanied by efficiency  
among others and this should happen, but if it doesn't happen then  
our growth is solely based on sweat and not so much in the  
improvement of efficiency, inspiration.
- [01:12:32] We have to try to increase the inspirational contribution as a source  
of our growth, in no way do I find a paradox exactly between the  
ovation given to profits and the productivity issue as this contains  
moderate costs which therefore could have an effect on prices as  
Vicente Salas has mentioned which will explain why shared  
evolution of productivity like in the adverts and the benefits that  
[01:13:01] we can see.
- José: I agree totally with you, all that you have said is very pertinent,  
where it says capital – labor in construction capital – labor has  
increased substantially. Talking about sweat I believe it was  
Benjamin Franklin who said that work is 99% perspiration and 1%  
inspiration, so to expect a lot from the improvements in productivity  
I believe our secrets that we are sweating a lot and I  
[01:13:33] agree that perhaps it is the success of progress, I don't know...
- Javier: Yet look at when you analyze immigration which is of very low  
productivity measured in these terms. That means that in the end we  
do not import engineers, nor specialized workers into the industrial  
sector. We import a lot that do the work of attending to

**[01:14:00]** the needs of senior citizens, construction workers, and the catering sector which are sectors where productivity is very low.  
Yes. Which has nothing to do with industrial sectors and sectors only of **[Crosstalk]**.

Audience:  
**[01:14:28]** Just one piece of data for this, the importance of the integration into the Spanish labor market of and the of work that is developed next to these millions of immigrants incorporated into the Spanish workforce, in the 7 million jobs that have been created in the last 10 years, 40% have been taken by graduates.

Javier: Yes, Spaniards. .

Audience: Yes, it is true but university graduates none the less. **[Crosstalk]**...

Javier:  
**[01:15:00]** There are universities in all the provinces and the multiplication of university graduates is spectacular.

Audience: What I understand is a marvelous piece of news in terms of the potential to improve the productivity and resolve the very serious problems which we have been talking about.

Javier: Yes but look, it is clear that graduates are incorporated into the workplace, that it has nothing to do its training or its capacity to increase productivity, then it starts to be limited. The problem is when you study the picture a little between supply and demand in

**[01:15:30]** the workplace for graduates we can see from the indexes that we have managed the foundation of knowledge and development above all, about which extensive field work has been done and the figures are bad while in terms of professional training almost 90% work in the field for which they are prepared and 40% remain in the company where they did their work experience, which is

**[01:16:02]** spectacular, that is that it means that this a problem of the university model where the offer of demand is not adapted to the places available because possibly the students study what they want to, there is a percentage between what people study and what the market demands. What?

Audience:  
**[01:16:29]** I don't have any more information which does not go in the same direction. As processes of the transition from the education system to look for work is complex, yet it is not the same as observing the difference between one's first job and when one has been working for five years.

Javier: Well, but take into account that the biggest cuts have been the most recent ones...

Audience: No and the available statistics and surveys which analyze the transition during large periods of time indicate that the adjustments improve, sensitively when the transition is left to operate, this means that there must not be serious misalignments but my opinion  
[01:17:00] is not so negative, yet there is much to improve. Yet the capacity to adjust via modernization, the training profile with work costs is greater than may be signaled from first job salaries. The first example is that of a [inaudible] which we reported and it was the salary of a graduate, after fifteen years of work he has nothing.

Javier: That is true but look at one specific topic and you will see that  
[01:17:34] Spain, Europe, well Spain especially has a serious problem in engineering but offers do not move, that means that the future problem will be worse, that is if you look at this data, for example in the field of telecommunications in Barcelona they have focused  
[01:17:56] on a five.

While for physiotherapeutic students one has to get a grade of eight and a half out of ten to enter university that means that is evident that the direction is wrong, although I do not want to put them down by saying this. Yet I do want to say that engineering for example has a problem with a fall in demand on the part of the students, those taking the courses think that one has to study for many years to pass, and this is backed-up by pure statistics, that is, yet on the other hand there is still an enormous demand by companies for business administration which later doesn't result in direct employment when a student finishes their degree. No!  
[01:18:30] [Crosstalk].

Well, the boss has said that it is now time to finish this session so with that we conclude this part and we will see each other again in the afternoon. Many thanks.

[End of Audio]

Duration: 79 minutes