The Basque Case Study

Department of Industry, Innovation, Trade and Tourism

BASQUE GOVERNMENT

MOC- Harvard University (February 2012)
AGENDA

1. Some starting out points

2. Strategy.
   Resist > Compete > Lead

3. Competitiveness Plan 2010-2013

4. Other related plans
Some key aspects of the starting point

• Unacknowledged crisis and other increasingly clearer changes: globalization and the need to compete in activities with added value.

• Politics and relations: terrorism and work on relations that were previously neglected.

• Industrial specialization. High reliance on cyclical industries: investment goods and durable consumer goods. In addition, Energy, Trade and Tourism are among the competencies of the Department.
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RESISTE strategy & Funding

The first need in this context of Crisis was to MAINTAIN activity and employment, our RESISTE strategy. And financing had become the key for many companies.

But with the commitment of agents and trying to get maximum leverage of private and public resources.

- Resiste and Miniresiste Programme (for SMEs), to restructure liabilities.
- Boost venture capital: over 2.5 years almost double has been processed than over the previous 7.5 years. Work was also carried out in other Provincial Councils and Savings Banks: Ekarpen.
- Launch of Guarantees. Under the frame of the EU emergency regulations
- Participating loans.
- Guarantees for Working Capital

An effort was also made to rationalize resources (public companies) and encourage others to do the same, such as Technology Corporations.
RESI STE strategy & funding.

Personas afectadas por tipo de EREs, datos 1991-2011

- Total EAE
- Suspensión
- Reducción
- Rescisión
%Unemployment rate from 1976 to 2011

Tasa de paro EPA desde 1976 a 2012. País Vasco
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AXES of the Basque Competitiveness Plan

AXIS 1: OPEN ECONOMY

AXIS 2: INNOVATIVE, ENTREPRENEURIAL AND TECHNOLOGICALLY ADVANCED ECONOMY

AXIS 3: SUSTAINABLE ECONOMY
AXIS 1: OPEN ECONOMY

Two lines of action:

1. Internationalization of companies.
2. Attraction of Tourism, talent and investments.

1. Internationalization of companies. Important effort in:

- Promotion, companies, associations, missions to markets
- Setups
- Scholarships, etc.

And the results have been there, both in the growth of exports and breaking records for the number of tourist arrivals.
GROWTH OF INTERNATIONAL EXPORTS (%)
AXIS 1: OPEN ECONOMY

Foreign Trade

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AXIS 1: OPEN ECONOMY

Incoming travellers

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AXIS 2: INNOVATIVE, ENTREPRENEURIAL & TECHNOLOGICALLY ADV. EC.

- Entrepreneurship and Intra-entrepreneurship.
  - The Basque Entrepreneurship Service has been created.
  - Venture Capital

- Process to discover entrepreneurs in the framework of Smart Specialization Strategies (S3) proposed by the European Commission: Cluster Associations and Innovanet Network

- R&D, Innovation and Advanced Technology: Sharp increase in investment in R&D (overtaking the European average over this period) but with emphasis on the profitability of Innovation. At the same time RVCTI is preserved.
  - ETORGAI, flagship programme.
  - Others: Gaitek, Saiotek, Etortek,
  - Technology Fund
Gross Domestic Expenditure on R&D (GERD)

- **EU 27**
- **EU 15**
- **Spain**
- **Basque Country**

**Years:**
- 1999
- 2000
- 2001
- 2002
- 2003
- 2004
- 2005
- 2006
- 2007
- 2008
- 2009
- 2010

**Values:**
- Basque Country:
  - 2000: 1.29
  - 2010: 2.08

- Spain:
  - 2000: 0.80
  - 2010: 1.00

- EU 15:
  - 2000: 1.40
  - 2010: 1.66

- EU 27:
  - 2000: 1.40
  - 2010: 1.85
AXIS 3: SUSTAINABLE ECONOMY

Two perspectives: Necessity and Opportunity.

- Significant actions: Electric Vehicle, Bimep, Non-conventional Gas,
- Others: energy efficiency and renewable energy, sustainable trade, sustainable tourism.

AN EXAMPLE: ELECTRIC VEHICLE INITIATIVE

OBJECTIVE

300 COMPANIES
10 B€
60,000 jobs

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LEAD STRATEGY

• **Target:**

To boost and support company initiatives which aim to win a relevant market position in an international context and which have a significant impact in the Basque Country.

• After the recognition of a Leader Initiative support is given through, among others, Technological, Financial and Internationalization horizontal tools.

• This is an intervention carried out with a comprehensive outlook with regard to strategic projects for the region.

• Examples of recognized initiatives: Smart Grids, Electric Vehicle, Bimep.
The Basque Country has a strong network of companies in electric power transport and distribution, led by Iberdrola (5th electric utility in Europe). The companies offer a broad range of products.
1. Consolidated network of priority cluster associations:
   - Focused on improving the competitiveness of their companies through joint projects.
   - Centered on tackling strategic challenges in internationalization, innovation, etc.
   - The form a space of enterprising entrepreneurship with spill-over potential to other activities
   - Furthermore, they are active agents in the drawing up and testing of policies and tools adapted to the requirements of the network.

2. Precluster Program: To extend cluster policy to other sectors and clusters.

3. Initiative Intercluster to boost cooperation projects between companies from different sectors (clusters and preclusters)
AFV - Foundry Association of the Basque Country
SI FE - Drop Forging Industries Association
HABIC - Basque Habitat, Office and Contract Cluster
Basque Country Food Cluster
BBC - Basque Bioscience Cluster
HERRAMEX - Cluster of Tools and Accessories
SIDEREX - Spanish Association of Steelworks Exporters
ERAIKUNE - Construction Cluster Association of the Basque Country
MLC ITS - Mobility & Logistics Cluster
### CLUSTER POLICY, MAIN CHARACTERISTICS OF OUR PRE-CLUSTERS

<table>
<thead>
<tr>
<th></th>
<th>AFV</th>
<th>SI FE</th>
<th>AGV</th>
<th>HABIC</th>
<th>Basque Food Cluster</th>
<th>BBC</th>
<th>HERRAMEX</th>
<th>SI DEREX</th>
<th>ERAI KUNE</th>
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</thead>
<tbody>
<tr>
<td><strong>Members</strong> (Number of members)</td>
<td>68</td>
<td>16</td>
<td>34</td>
<td>70</td>
<td>31</td>
<td>25</td>
<td>28</td>
<td>64</td>
<td>56</td>
</tr>
<tr>
<td><strong>Employment</strong> (Number of people)</td>
<td>7,710</td>
<td>1,815</td>
<td>1,418</td>
<td>4,200</td>
<td>6,147</td>
<td>1,036</td>
<td>2,000</td>
<td>12,000</td>
<td>6,775</td>
</tr>
<tr>
<td><strong>Turnover</strong> (in M€)</td>
<td>872</td>
<td>260</td>
<td>196</td>
<td>750</td>
<td>647</td>
<td>194</td>
<td>243</td>
<td>7,620</td>
<td>1,607</td>
</tr>
<tr>
<td><strong>Exports</strong> (% over sales)</td>
<td>60%</td>
<td>59%</td>
<td>10%</td>
<td>30%</td>
<td>11%</td>
<td>17%</td>
<td>45%</td>
<td>26%</td>
<td>2%</td>
</tr>
</tbody>
</table>
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Energy Strategy, 3E2020:

In addition to the traditional energy measures, an axis of industrial and technological development is included within which the following stand out:

- Strategic industrial research in 8 priority technological areas.

- Business development: new initiatives, companies based on technological advances, attracting foreign investment,…

This enables the creation of a rigorous demand which catalyses the entry into an early phase which aims to situate Basque companies in an advanced position with regard to the new business opportunities which are arising.
To conclude

Evolution of GDP per capita in the Basque Country and Spain

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To conclude

**Strategy:** Resist ➔ Compete ➔ Lead

**Lead Strategy,** through public-private collaboration made from a holistic perspective on strategic projects for the region to stimulate demand, that push Related diversification, Demand Sophistication and a Smart specialization in Cooperation

**Key:** Activate the Economy while Making The Future

- Internationalization
- Market-oriented technological innovation
- Entrepreneurship
- Financing
Thank you very much for your attention