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# Aragon's attractions



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# Aragon's bright future

ARAGON IS ONE OF SPAIN'S BEST PERFORMING AUTONOMOUS COMMUNITIES, WHICH IS TESTAMENT TO ITS FAVOURABLE LOCATION, HIGHLY SKILLED WORKFORCE AND EXPERTISE IN SECTORS SUCH AS AUTOMOBILE MANUFACTURING. JASON MITCHELL SPEAKS TO PRESIDENT JAVIER LAMBÁN ABOUT HOW FOREIGN INVESTMENT CAN MOVE THE REGION TO ANOTHER LEVEL

**A**ragon, an autonomous community in the north-east of Spain, is enjoying a strong economic spell and is looking to attract new foreign investors, particularly in the logistics, agribusiness and automotive sectors, according to Javier Lambán, president of the government of the region.

One of 17 autonomous communities in Spain, Aragon has a total population of 1.3 million inhabitants and an area of 47,700 square kilometres, making it slightly larger than the Netherlands geographically. Its economy grew by 3.6% in 2017, the highest rate of growth of any region in Spain (the national average was 3.1%).

## **Perfectly placed**

"Our economy is performing a lot better today than before," says Mr Lambán, who took office in July 2015 and represents the PSOE Aragón, the regional socialist party.

"Unemployment has dropped a lot to only 11%. A number of business sectors have been driving our economic growth, including industry, agribusiness and tourism. Investor confidence has improved markedly and a lot of optimism exists today."

He adds that logistics in particular has become a significant industry for the region, mainly because of its favourable physical location. Zaragoza, the region's main city with 661,000 inhabitants, is only 305 kilometres from Barcelona by road and 316 kilometres from Madrid. It is also only 400 kilometres to Toulouse, one of France's biggest cities, on roads through the Pyrenees mountains. About 70% of

Spain's economy and 25 million inhabitants are within a 350-kilometre radius of the region.

When travelling via high-speed AVE passenger trains it takes only one hour and 23 minutes to travel from Zaragoza to Barcelona, and one hour and 15 minutes to Madrid. Aragon also has road and rail connections to the three Mediterranean ports of Barcelona, Valencia and Tarragona, and to the three Atlantic ports of Pasajes, Bilbao and Santander.

"Zaragoza has the second most important cargo airport in the country after Madrid-Barajas," says Mr Lambán. "The amount of freight it handles has been increasing every year. Aragon's logistics platforms have about 19,000 square metres of space available for companies that want to set up here. Zaragoza also expects to connect by freight train with the city of Yiwu in the Zhejiang province of China this year."

## **Playing to its strengths**

In 2017, Zaragoza Airport processed 142,185 tonnes of cargo. It is integrated with the largest logistical platform in southern Europe, an intermodal transport hub made up of rail, road and air links. The airport is now placed second in Spain in terms of the volume of cargo it handles.

In March 2016, the governments of Aragon and Yiwu signed an agreement to maximise the economic benefits of the Yixinou freight train that links the Chinese city and Madrid. Starting this year, the train is expected to stop at Zaragoza and will transport merchandise to and from Aragon and Zhejiang.

On top of its cargo strengths, the region is a hub in Spain when it comes to the production of cars. Opel's plant in the town of Figueruelas, close to Zaragoza, produced 382,425 vehicles in 2017. The majority



ZARAGOZA EXPECTS TO CONNECT BY FREIGHT TRAIN WITH THE CITY OF YIWU IN CHINA THIS YEAR







Photograph: Luis Correas

Steady progress: the production line at Opel's Figueruelas facility; above right: Javier Lambán, president of Aragon's regional government

are exported to the rest of Europe.

Mr Lambán says that Aragon is also becoming one of the key centres in the country for renewable energy. It has a semi-arid climate and about 300 sunny days per year, making it ideal for the development of solar power. A strong, dry wind blowing from the north-west – called the ‘cierzo’ – is also common, meaning the region offers great potential for wind power.

### Learning potential

Mr Lambán is keen to emphasise the high quality of high schools and universities in Aragon. The University of Zaragoza dates back to 1542 and has colleges and academic facilities spread throughout the city.

Some faculties, such as humanities and computer science, are located on two smaller campuses. One is in the city of Huesca, situated 75 kilometres north-west of Zaragoza, and hosts the faculties of health and sport science and business and public management. The other is located in the city of Teruel, 170 kilometres south, which is home to the technical college and the faculty of social and human sciences.

“Aragon is generating more and more opportunities for young people all the time,” says Mr Lambán. “We are ensuring that the young are prepared for the digital age.”

Mr Lambán adds that there are a number of key factors that are helping attract foreign investors to the region. “Aragon is recognised for its political stability. It is a peaceful region with a high quality of life. Very few strikes take place here. Human capital and talent are of a very high order. There are lots of well-educated people here, people trained in engineering, and with lots of technical skills. Salaries are also competitive compared with other parts of Spain and Europe,” he says.

### Strong links

Along with Madrid and Catalonia, Aragon is one of the three leading autonomous communities in Spain, according to the EU’s Regional Competitiveness Index.

Mr Lambán says that there is a strong relationship between Aragon and other autonomous communities of Spain, in particular with the neighbouring regions of Valencia, Navarra and Catalonia.

“Catalonia and Aragon are very connected regions,” he says. “Barcelona has a port that is very important to us. I very much hope that the problems around Catalanian independence are solved quickly and in a peaceful way.”

Mr Lambán also stresses the importance of the rest of Europe to the Aragon region. He says that a rail tunnel already exists through the Pyrenees connecting it with France, though it needs modernising so that bigger and more powerful trains can pass through it.

“Brussels would like to see this rail link fully developed,” he adds. “Within 10 years, I think we will see it functioning properly. The EU is of key significance to the region. We have not received as much financial help from the EU as other autonomous communities in Spain but our economy is highly inter-connected with that of the rest of Europe.”

Aragon suffered in the wake of the international financial crisis – as did all of Spain – but is now positioning itself well as a centre for logistics, the automotive industry and agribusiness. While Madrid and Catalonia look set to remain Spain’s economic powerhouses, Aragon is well placed to play to its strengths and attract the investment it needs to maintain its economic success story. ■





Hive of activity: the Plaza logistics centre; left, top: Antonio Cobo, general manager of Opel in Spain; above left: Zaragoza Maritime Terminal



# An industrial stronghold

**BUILT ON THE THREE PILLARS OF AUTOMOTIVES, LOGISTICS AND AGRIBUSINESS, ARAGON HAS SECURED ITSELF A PLACE IN SPAIN'S INDUSTRIAL SUCCESS STORY. JASON MITCHELL REPORTS ON HOW THE REGION THRIVES IN A VARIETY OF FIELDS**

**I**n April this year, the production line at the Opel plant close to Zaragoza delivered its 13 millionth car since the facility opened in 1982. Five generations of the Corsa, Kadett, Astra, Tigra and Combo have been produced at Zaragoza, as have two generations of the Meriva and Mokka. The milestone car was a Crossland X, the first vehicle made at the plant to be based on the efficient modular platform from Groupe PSA, the French car maker that acquired Opel from General Motors in August 2017.

Opel says the new Corsa will be produced exclusively at the Zaragoza plant from 2019, with an electrified version joining a year later.

The Zaragoza plant produced 382,000 cars in 2017, but capacity is expected to rise to more than

400,000 in 2018 after management agreed a new agreement with trade unions that will result in competitive improvements.

## **Electric current**

“Groupe PSA is betting very hard on the electrification of cars,” says Antonio Cobo, general manager of Opel in Spain. “New low emission standards in Europe are driving this, but there is also huge demand among young people for electric cars.”

Mr Cobo says that one of the main advantages of being based in Aragon is the staff. “People make the difference, they are more important than infrastructure,” he says. “Their behaviour, mindset, education. Here in Aragon there are good people and very good professionals.”

A large proportion of the cars produced at the Zaragoza plant are destined for the UK and German markets. Aragon’s proximity to the Spanish ports of Bilbao and Pasajes is vital for exports. However, north Africa is becoming an increasingly important market for Opel cars and Zaragoza’s location close to the ports of Valencia and Barcelona is essential for accessing those markets.

About 25,000 people are employed directly by the car manufacturing industry in Aragon, according to the Automotive Cluster of Aragon (CAAR by its initials in Spanish). The cluster has 73 members but there are more than 200 companies involved in all aspects of car and car parts manufacturing located in the region.

“Aragon is one of the main locations in Europe for the manufacture of cars and car parts,” says CAAR manager David Romeral. “The cluster has three principal pillars: innovation, training and business development. Many SMEs do not have enough time for R&D, so they come to us and we help to speed up their innovation process.”

## **The logistical choice**

The automotive sector is one of three key industries in Aragon, the other two being logistics and agribusiness.

The Aragon Logistics Platform represents a global logistics offer of infrastructure, training, research and services. The platform’s main logistics parks are Plaza, which lies 10 kilometres south-east of Zaragoza; PLHUS, the logistics platform based



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at the city of Huesca, 75 kilometres to the north-west of Zaragoza; and Platea, the logistics and industrial park at Teruel, 170 kilometres south of Zaragoza.

Inditex, the Spanish clothing company that owns the Zara brand, has one of its most important distribution centres located at Plaza. The 200,000-square-metre facility has 1200 staff and in 2016 distributed 324 million garments to 2000 stores around the world. Some 60% of the merchandise is transported by road and 40% by air.

“Zaragoza has a big airport but it is mostly for cargo,” says Francisco de la Fuente, general manager at Aragon Logistics Platform. “Only very high-value-added goods are transported by air. It is one of the main ways to transport electronic goods, for example, as people like to receive those items quickly. It is more efficient for stores not to stock every product but to bring them in from the distribution centres when necessary.”

#### Coastal link

Aragon benefits from Zaragoza Maritime Terminal (tmZ), a type of inland port connected to the coast by rail. It handles more than 350,000

20-foot equivalent units of containers a year, about 80% of which subsequently pass through the port of Barcelona. It handled a total of 2428 trains last year, more than double the 1094 recorded in 2011.

“Customs procedures take place in the rail terminal rather than at the port,” says tmZ general manager Ramón Ade. “That really speeds things up, as the ports can be a bottleneck.”

About 74% of the merchandise that passes through the terminal relates to general cargo, including car parts and clothing. The remaining 26% is accounted for by food products and animal feed, reflecting the significance of agribusiness to the region. Fresh food moved in refrigerated containers is one of the main drivers of the growth in railway transportation.

#### Staying sweet

Lacasa, the Spanish chocolates and nougats producer, has been based in the town of Jaca in the Pyrenees since 1852. It has four factories in Spain, including two in Aragon, and plans to open a fifth in France. The family-owned business has an annual revenue of €142m.

“We are one of only six independent chocolate makers left in Europe,” says general manager Fernando Lacasa. “I think the advantage of Aragon is that it is a sparsely populated region. There are no problems here, no social problems, no political problems.”

Bodegas Aragonesas is a medium-sized winery located in the town of Fuendejalón, 55 kilometres to the west of Zaragoza, which produces 10.6 million bottles of wine a year. It is 40% owned by the Aragon regional government and has a total of 3700 hectares of vineyards; it produces wine mostly from the grenache grape.

“Our main markets include the UK, Russia, the US and Germany,” says export manager Sonia Castellot. “However, China is becoming more and more important for us. We are seeing the rise of the middle class in that country and that market has huge potential.”

Countries and regions from all over the world are seeking to diversify their economies. Given its wide array of areas of expertise, Aragon seems to be one step ahead of the game. ■





Harnessing technology: work goes on at Zaragoza Logistics Center and (above right) at the Technological Institute of Aragon, ITA Innova

# Digitally driven

ARAGON'S CULTURE OF INNOVATION HAS PUT IT AT THE CUTTING EDGE OF R&D – AND IS HELPING THE REGION TO BUILD A BRIDGE TO CHINA. JASON MITCHELL REPORTS

**A**ragon is in the vanguard of R&D regarding the application of digital technologies to its logistics, automotive and agribusiness industries. Capital city Zaragoza is home to a research centres such as the Technological Institute of Aragon (known as ITA Innova in Spanish) and Zaragoza Logistics Center (ZLC).

ITA Innova is located next to the University of Zaragoza's Ebro River campus on the northern outskirts of the city. This campus includes the university's faculty of engineering, which has a total of 6000 students. ITA Innova also has a second campus at Walqa Technological Park in the city of Huesca, 75 kilometres north-west of Zaragoza. The institute has an annual budget of €15m, and about 70% of its income comes from research work for SMEs across the world.

## **A global reach**

ITA Innova specialises in R&D in the following fields: nano materials

(including composites), metals and paper; mechatronics (including robotics); big data and data analytics (including how artificial intelligence can be applied to logistics); and electromagnetism and power electronics (including how these technologies can be applied to electric vehicles).

It employs a total of 230 researchers, working on projects from companies in 13 countries, and it collaborates with about 250 universities, technological institutes and academic institutions around the world.

"We work with about 1000 companies a year, including around 500 SMEs," says ITA Innova director Ángel Fernández. "The work we do is very important for SMEs in particular. We are strong in R&D into metals and plastics and about how composites, materials and bonding are adapting."

## **ZLC's mission of excellence**

ITA Innova is carrying out research into how cameras can be used in self-driving cars and how blockchain technology can be applied to the logistics industry. "Many freight containers end up empty," says Mr Fernández. "We are researching data analytics that can be used to maximise the number of containers that are full up with merchandise."

ZLC is currently located in the heart of Plaza, Zaragoza's logistics park – the biggest logistics centre in south-west Europe – but will move to a new location at Expo, closer to the city centre, later in 2018. It was established by the regional government of Aragon in 2003 in partnership with the Massachusetts Institute of Technology and the University of Zaragoza.

Its mission is to create an international centre of excellence for research and education in logistics and supply chain management for students and executives. Currently it has four students studying for PhDs, 30 students on its masters of engineering in logistics and supply chain management programme (in English) and a further 40 students on its masters in supply chain management programme (in Spanish).

"Our professors teach but also undertake research and publish papers," says ZLC director Susana Val. "Our research centre is now well known in the logistics field throughout the world. Aragon itself is well placed for the future. Many companies here are preparing themselves for the changes coming to the logistics industry."

Victor Rovira, logistics and man-



# COMPANIES FROM ARAGON ARE IDEAL BUSINESS PARTNERS FOR CHINESE FIRMS THAT WANT TO DO BUSINESS IN LATIN AMERICA



ufacturing country manager at French sporting goods retailer Decathlon International, adds: “ZLC does really important research in the logistics field. It is easy to find staff who are well educated in Zaragoza and who have a strong work ethic.”

## Cheap and easy

Decathlon has a logistics centre located at Plaza, which distributes 180 million units of sporting goods annually. This is one of Decathlon’s main distribution centres in southern Europe and in the future it will distribute merchandise to France, Spain, Portugal and Italy.

“There are a number of factors that make Aragon attractive to foreign investors. Location is key. Land prices are also comparatively low. Excellent railway connections to Barcelona and even Paris are also important for us,” says Mr Rovira.

Zaragoza is up to 26% cheaper than central Barcelona in terms of overall rental, transport and personnel costs and up to 23% cheaper than central Madrid, according to Aragon Exterior, the region’s inward investment agency. The cost of renting a warehouse in Aragon is about €2 per square metre per month compared with

up to €4.50 in central Madrid and €5.80 in central Barcelona.

Total labour costs in Aragon average €2575 a month, compared with €2828 in Barcelona and €3106 in Madrid. Office rentals are also cheaper in Zaragoza: €138 per square metre annually compared with €258 in Barcelona, €336 in Madrid and €770 in Paris.

## China ambitions

Aragon has more than 50 incubators – including many in digital technology – and 420 technology start-ups. These include Libelium, a maker of sensors to connect to the cloud; Ebers, a producer of equipment for research in cell culture; and Epic Power, a maker of systems that recover, store and re-use electricity.

The region sees itself as a potential bridge between China and Latin America. Many global companies, including Chinese ones, already use its logistics platforms as a way of distributing physical goods to Latin America, but Aragon also has a key role to play in providing intangible services such as legal, accountancy, market research and digital consultancy to the continent’s companies.

“There is great potential for companies from Aragon and China

to enter into joint ventures to penetrate the Latin American marketplace,” says Isabel Velasco, commercial director of the Aragon Logistics Platform.

“Many Chinese companies have already invested in Aragon and now trust us. Word of mouth is importance to the Chinese and companies from Aragon are ideal business partners for Chinese firms that want to do business in Latin America.”

In June 2017, Chinese maritime company Cosco Shipping acquired a 51% stake in Noatum Port Holdings, the Spanish container terminals operator, for €203m (the remaining 49% is owned by institutional investors advised by JPMorgan). The purchase includes Noatum Rail Terminals Zaragoza (NRTZ), a rail yard company located at one of the most important intermodal rail hubs of the Spanish public rail network.

“We transport 30 million containers a year,” says NRTZ director Carolina Gay. “Car parts and animal feeds are among the main products that we transport. We are very important to the logistics park at Plaza.” China’s interest in Aragon’s logistics potential could facilitate the next step in the region’s global ambitions. ■