

Basque Country^{BC}

United it stands

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

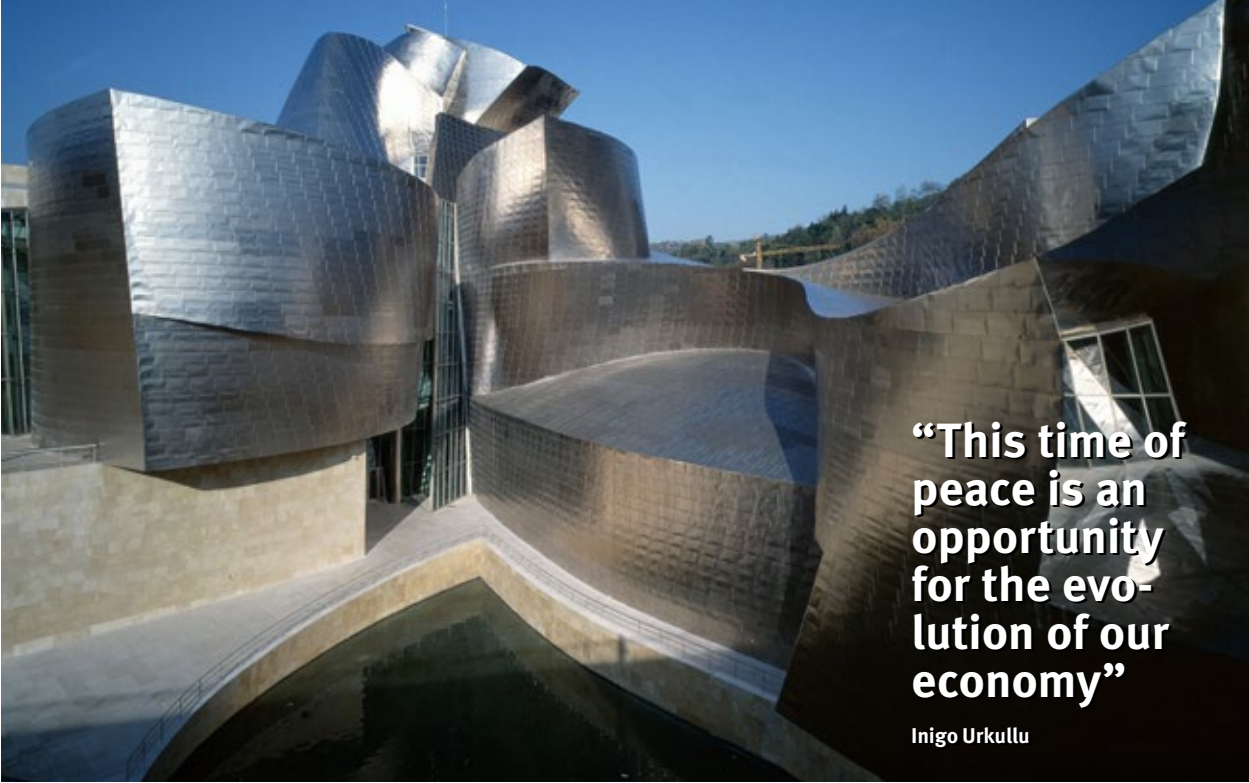
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A creative people, a hi-tech future

Writer: Guy Hedgecoe

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

It may be a small region of only two million inhabitants, but the Basque Country represents many different things to different people. Its rich rural life and wealth of traditions reflect its status as home to one of Europe's oldest peoples, who speak the enigmatic Euskara language. Meanwhile, its factories and businesses are testament to its history as an industrial heartland. And yet, the extravagant design of the Guggenheim art museum in Bilbao offers yet another view: a region that cherishes culture and which is prepared to launch itself into the future.

Even pinning down the exact geography of the Basque Country can be difficult. Many of the region's nationalists regard the territory of Navarre and the three Basque provinces in south-western France all as part of what they call Euskal Herria, or the Basque homeland. But only the three provinces in Spanish territory that sit between the Pyrenees and the Bay of Biscay – Alava, Biscay and Gipuzkoa – form

the autonomous community of the Basque Country, the focus of this report.

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

Three years of peace

In the democratic era, the Basque region's autonomy has been restored, although not as much as many – both moderates and extrem-

ists – would like. From the late 1960s, the separatist group Eta waged a terrorist campaign for an independent state, killing over 800 people and deeply dividing Basque society. Police action and legal pressures would help weaken Eta until it declared a definitive ceasefire in October 2011, a move former UN Secretary-General Kofi Annan described as “a victory for dialogue and peace”. Three years on from that landmark development, the region has adjusted to a new climate of peace which has benefitted not only ordinary Basques, but also tourism and other industries.

“This time of peace has to be an opportunity for the development of the Basque economy,” says Inigo Urkullu, the Basque regional premier, or lehendakari, of the moderate Basque Nationalist Party (PNV). “If we were able to grow during a time of violence, now we must be able to grow even more, especially once we get over the economic crisis.”

That crisis has hit Basques less hard than the

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

A creative brand

This creativity makes the Basque Country “a living lab of innovation and strategy development,” according to Joseba Jauregizar, who as managing director of Tecnalia, an alliance of technology firms, is at the heart of the Basque Country's efforts to expand its industry. Once one of the world's biggest iron ore producers, the region is now renowned for its diversification into areas such as renewable energy, nanotechnology and biotechnology and industry currently represents a quarter of its GDP.

The Basque pioneering spirit is not confined to business. It can be seen in the earthy sculptures of Eduardo Chillida, the eerie “painted forest” of artist Agustin Ibarrola, the experimental novels of Bernardo Atxaga and, perhaps most famously, in the envelope-pushing

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

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

Inigo Urkullu
President of the Basque Country

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

INNOVATION

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

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

IN NUMBERS

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

26,500
People employed in the life sciences sector

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

The Basque people



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

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

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

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

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Unity in a diverse political spectrum

While the moderate Basque Nationalist Party (PNV), which dominated the region for three decades after the advent of democracy, is back in government again, the political landscape

has opened up in recent years. In 2009, the Basque Socialists (PSE) formed a groundbreaking, three-year governing partnership with the conservative Popular Party

(PP). Then in 2011, a new coalition of leftist parties, Bildu, ran the PNV a close second in regional elections, heralding the arrival of a powerful pro-independence movement.

Success the Basque way

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

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

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

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



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

What is your outlook for the Basque economy?

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

What is your government's economic strategy?

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

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

How would you like the Basque Country to be perceived?

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

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



The Basque Country: a global brand

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

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

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



"All iron"

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

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

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

Writer: James Badcock

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



Thanks to its "special relationship" with Britain's Rolls Royce, Basque turbine manufacturer ITP is confident of its future

Beyond the jokes about shared wet weather and the football connection with Basque teams such as Athletic Bilbao having British origins, there is a long and deep-rooted commercial relationship between the UK and the Basque Country.

Formal commercial links go back to 1474, when a trade charter was signed by King Edward IV and reciprocated in Guernica whereby Basque merchants could freely trade with the protection of the Crown in England, and English merchants could do likewise in the Basque Country. But the explosion in UK-Basque connections came after the industrial revolution. British steel com-

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

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

"Basically, everything that triumphed in Britain in the early 20th century triumphed over here around 30 years later. A steel and iron industry developed, as did shipbuilding. Our first steel ships were British," says Jose Angel Corres, chairman of Bilbao's chamber of commerce.

Now cooperation is focussed on more technological sectors, such as aeronautics. A partnership between Britain's Rolls Royce and Basque engineering firm SENER created ITP, whose CEO Ignacio Mataix is confident of the future thanks to this "special relationship". He says that "50 percent of future engines built to fly will have an ITP turbine inside," owing to Rolls Royce's 50 percent market share. Energy is also a key sector in the region and power giant Iberdrola is a good example of how Basque business has internationalised in recent years. CEO Ignacio Galan recently said Iberdrola is now "more British, more American and more Mexican than it is Spanish", while announcing that 41 percent of the company's planned €9 billion investment in 2015 will be in the UK.

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

A DIPLOMAT'S VIEW



Derek Doyle
British consul and senior
UK Trade & Investment adviser

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

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

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

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

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

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

READ THE FULL Q&A
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Powering British development

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

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

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

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

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