


Chapter 1

Locational Advantages for Foreign Direct Investment in Navarre: The Role of Investment Promotion Agencies

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ABSTRACT

This study evaluates Navarra's economic performance and examines the factors influencing the decision-making process for business establishment within the region. Despite its relatively small size, Navarre exhibits a high-income level and favorable economic performance. In terms of industry, the region demonstrates high competitiveness in the high-technology sector. This investigation focuses on foreign direct investment in Navarre, which contributes significantly to the region's economic success, and explores the nature of the location advantage in Navarre. As investment promotion agencies play a crucial role in attracting foreign companies to Navarre, this study examines Invest in Navarre, an agency in Navarre, and through interviews with the investment bureau, elucidates how the location advantage is evaluated.

INTRODUCTION

This chapter examines the investment climate in Navarre, with a particular focus on the role of investment-promoting agencies. Navarre is selected for this study due to its notable concentration of companies (despite its small population

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of approximately 664,000 inhabitants), making it a promising location for business endeavors. Navarre demonstrates strong economic performance as one of Spain's highest-income regions and is characterized by its competitive high-tech industry. Therefore, analyzing such an entrepreneurial location at the regional level is of considerable significance for strategic business location planning in other regions. Despite its economic significance, the geographical distribution of companies in Navarre has been relatively underexplored in scholarly research. This is because the concentration of business locations in Spain has been predominantly in Madrid and Catalonia.

Factors that contribute to the location of enterprises include labor costs, quality of labor, and market potential; however, the presence of institutions that support companies is also significant. Several studies have demonstrated that investment promotion agencies play a crucial role in attracting companies (e.g. Loewendahl, 201; Abamu, 2019). In addition, previous research in Catalonia and the Basque Country has indicated that investment promotion agencies play a substantial role in the location of companies (Narita, 2021; 2024). The regional governments of Catalonia and the Basque Country established investment promotion agencies, namely ACCIÓ (Agència per la Competitivitat de l'Empresa) and Basque Trade & Investment, respectively. These agencies play a pivotal role in attracting direct investment to their respective regions (Narita, 2021; 2024). A study focusing on Catalonia found that ACCIÓ's support played a crucial role in influencing companies' decisions regarding their location (Narita, 2021).

In order to analyze the role of investment promotion agencies in Navarre, specifically *Invest in Navarra*, it is important to outline the economic characteristics of the region and its spatial distribution of companies. Subsequently, the chapter will provide a comprehensive review of foreign direct investment (FDI) theory and the factors that attract FDI. The analysis will then elucidate the results of the interview conducted with the investment promotion agency.

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