At Spain’s Door, a Welcome Mat for Entrepreneurs


Stacia Carr in the Lavapiés neighborhood of Madrid. Previously of San Francisco, she is building an online video business and has benefited from a Spanish law that offers a special visa to foreign entrepreneurs. Credit James Rajotte for The New York Times

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Last year, after more than a decade in Silicon Valley, Stacia Carr helped sell the company she was running and went looking for a change of pace.

“The Bay Area is supersaturated,” she said. “It’s very expensive; it’s hypercompetitive.” After a friend connected her with Iñigo Amoribieta, a former chief executive of Groupon Spain (http://redirect.viglink.com/?key=11fe087258b6fc0532a5ccfc924805c0&u=http%3A%2F%2Ftopics.nytimes.com%2Ftop%2Fnews%2Finternational%2Fcountriesandterritories%2Fspain%2Findex.html%3Finline%3Dnyt-geo), Ms. Carr and Mr. Amoribieta started talking about creating an online video business together that would be based in Madrid, his hometown.

Ms. Carr, 42, a Californian who has traveled extensively in Europe, long dreamed of living and working there. But as the founder of a start-up company and as an American citizen, she assumed that it would be “next to impossible” to get a work permit at a time when many European economies were struggling to rebound from the financial crisis.

Then she learned of a law that Spain’s government passed in September 2013 to help domestic businesses and to woo foreign talent and investment. It included a visa category for foreign entrepreneurs, requiring them to have little more than a government-vetted business plan, health insurance and enough money to support themselves while living in Spain.
In a Madrid cafe, Ms. Carr worked on plans for her new business. Credit James Rajotte for The New York Times

â€œI thought the entrepreneurship visa was exactly what I needed,â€ she said.

The law went into effect as soon as it passed, but when Ms. Carr contacted Spanish consulates in the United States, she couldnâ€™t find people who knew it existed, let alone how it worked. Convinced that word would eventually trickle down, she moved to Madrid from San Francisco in late November 2013 Â— without applying for the entrepreneur visa, aware that Spain allows American citizens to stay for up to three months as tourists. Early this year, she and Mr. Amoribieta, 37, incorporated their venture, Vidnex, while working from a business incubator in the Salamanca neighborhood of the city.

Vidnex offers an online tool that allows fitness instructors to teach classes remotely, streaming live video to their students. The classes are interactive, not prerecorded, with the student and the instructor able to see each other and talk in real time. Students canâ€™t see their classmates.

Setting up the business in Spain, Ms. Carr said, was more challenging and required more formal documentation than she had expected. And getting residency presented challenges. One of the first applicants to try to use the lawâ€™s new entrepreneur visa, she found government workers unprepared to answer her questions. It was harder because she didnâ€™t speak Spanish, but Mr. Amoribieta helped her navigate the bureaucracy by preparing paperwork and scheduling appointments, including one meeting in which officials assumed that Ms. Carr was a personal trainer using the Vidnex service rather than a co-founder.

Still, she managed to gain approval for her renewable, two-year entrepreneur residency permit in March, about a month after she applied under the new rules. Ms. Carr acknowledged that Spain, a country where unemployment reached a record high of about 27 percent last year, might seem an unlikely place to start a business. But when compared with European start-up magnets like London and Berlin, Spanish cities like Madrid and Barcelona have lower costs and fewer competitors Â— and still have sufficient talent to get started, she said. Technical expertise can cost a quarter of what it would in Silicon Valley, Mr. Amoribieta said.

Vidnex is housed in an incubator called Area 31, run by IE Business School. The incubator buoyed their efforts Â— founders at other start-ups helped them find a contract designer and interns. Connecting with Madridâ€™s entrepreneurs was like finding my tribe a million miles from home, Ms. Carr said.

The new law, known as the Ley de Emprendedores, is Spainâ€™s latest effort to help domestic businesses and make the country more attractive to wealthy and talented people outside the European Union who want to start businesses, invest or work in the country. Billed by the government as reforms that would help create jobs at a time of high unemployment, the legislation created five visa categories, covering investors who buy at least 500,000 euros (about $625,000) of real estate; entrepreneurs who plan to establish businesses; highly skilled professionals; researchers, scientists and teachers; and employees and trainees. Once approved, recipients are allowed to move freely through most European Union countries.

Visa decisions are promised within 10 working days, and residence permit decisions in 20. Processing is combined for married couples and their children.

â€œIt really is a fast track,â€ said Ana Garicano, a partner at the Sagardoy law firm in Madrid whose clients have used the law to get residency. The government is meeting its own deadlines. And there are no limits on the number of foreigners who can take advantage of each category.

The policy goes further than laws in some other countries in that it offers speedy residency to different types of immigrants, not just the wealthy, said Josep Herrero and JosÃ© Manuel Novo, lawyers at Roca Junyent in Barcelona, a firm that guides foreign entrepreneurs and investors through the process.

â€œThe Spanish law is much more inviting and much simpler than Englandâ€™s law, Canadaâ€™s law and Franceâ€™s law,â€ Mr. Novo said. â€œFor example, entrepreneurs donâ€™t need to show a minimum investment in their business.â€

According to Mr. Herrero and Mr. Novo, Spain borrowed the best ideas from other countries with immigration policies intended to lure talent and investment â€” such as Canada, Britain and Chile. Vivek Wadhwa, an academic with positions at Stanford, Duke...
and Singularity University who advised the Chilean and Spanish efforts, bemoaned the United States for failing to pass similar legislation. 

“...a start-up visa, he said. “We are forcing people to leave this country and go to other countries.”

Yet so far, even though the law has been in effect for more than a year, fewer than 100 foreign entrepreneurs have been granted residency through it. Some critics have questioned both its impact and whether its measures go far enough. There is also a possibility its appeal could be diminished by tax reform legislation that was approved last week by Parliament and is scheduled to go into effect on Jan. 1 after King Felipe VI signs it.

But the exit tax will apply to entrepreneurs only if they stay for 10 years and then claim tax residency in a different country. “This should not hamper entrepreneurs from coming to Spain,” said Álvaro de la VÃ¡a, a professor of tax law at IE University, adding that the United States and some European countries had similar laws and that more were considering adopting them.

In total, about 3,800 foreigners, including investors, professionals and their family members, have received residency via the new immigration rules, according to the Economy Ministry, and more than €280 million has been invested, primarily in real estate. An additional €265 million has been pledged for business projects.

Jaime García-Legaz, the Spanish secretary of state for the economy, said that the immigration reforms were working as intended and that he expected the number of investors and entrepreneurs to increase gradually, “as it has in other countries which put similar rules in effect.”

In the United States, awareness of Spain’s bid for entrepreneurs has yet to spread. Juan Martín-Barea, a Spanish biotechnology entrepreneur who also promotes Singularity University (http://redirect.viglink.com/?key=11fe087258b6fc0532a5ccfc924805c0&u=http%3A%2F%2Fsingularityu.org%2F), a technology-focused institution in Silicon Valley, to tech circles in Spain, said that few within his network were familiar with his country’s attempt to lure talent and capital. “The law is on the right track but needs measures that would make it a little more revolutionary,” he said, noting that the Chilean government’s popular Start-Up Chile (http://redirect.viglink.com/?key=11fe087258b6fc0532a5ccfc924805c0&u=http%3A%2F%2Fwww.startupchile.org%2F) program grants $34,000, along with one-year residency, to founders who relocate to that nation.

Chile’s effort, started as a pilot program in 2010, has attracted nearly 2,000 entrepreneurs, whose businesses have raised more than $100 million in financing. The Chilean government has not yet conducted a study of the program’s economic impact, but Sebastián Vidal, executive director of Start-Up Chile, explained that while its short-term mission was cultural, he expected the long-term effects to improve the economy significantly. Mr. Wadhwa described Chile’s initiative as the world’s most aggressive effort to lure entrepreneurs and said it was putting Chile on the map as a destination for start-ups.

By comparison, Spain’s law lacks the excitement of free money. The policy assumes foreigners want to come, Mr. Martín-Barea said, but it’s lacking an element that will make them want to come.

“I thought the entrepreneurship visa was exactly what I needed,” Ms. Carr said. Credit James Rajotte for The New York Times

Spain’s changes send a message to the world that Spain is liberalizing its economy, and at the same time internationalizing its economy,” said Miguel Ángel Vidal, secretary general of Foro Español de Expatriación (http://redirect.viglink.com/?key=11fe087258b6fc0532a5ccfc924805c0&u=http%3A%2F%2Fwww.feex.org%2F), a lobbying group for Spain’s biggest companies, including Banco Santander and Telefónica. He emphasized that businesses in Spain could now easily hire foreign nationals, bring in employees from overseas and train clients in Spain. “It’s a radical change,” he said.

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A sweetener that the Spanish government should highlight, he said, is its unsecured lending program, which has about â€“100 million, or $125 million, to lend to innovative small and midsize companies annually. The loans, from â€”25,000 to â€”1.5 million, are available to all entrepreneurs, regardless of nationality, who have a business based in Spain (except for those running real estate or financial ventures). The public financing company making the loans, Enisa, (http://redirect.viglink.com/?key=11fe087258b6fc0532a5ccfc924805c0&u=http%3A%2F%2Fwww.enisa.es%2F) doesnâ€™t track applicantsâ€™ nationality, said Carmen Cuesta, a spokeswoman, but plenty of foreign-born entrepreneurs have received them since Enisa was created in 1982. Last year, it made more than 600 unsecured loans to entrepreneurs, with an average amount of about â€”131,000.

Mr. MartÃ­nez-Barea credits the birth of Universal Diagnostics (http://redirect.viglink.com/?key=11fe087258b6fc0532a5ccfc924805c0&u=http%3A%2F%2Fwww.universaldx.com%2F), his own biotech start-up company in Seville, in part to the â€”200,000 it received from Enisa. He says he is convinced that if more foreign entrepreneurs knew about the government loans, theyâ€™d find Spain more enticing: â€œMy friends at Singularity University say, â€œWow, I want this.â€ And so did Ms. Carr and Mr. Amoribieta. They applied to Enisa in May and received approval in early October for up to â€”75,000. Vidnex, they said, was released to the public in September and is gaining traction among dozens of fitness instructors, mostly in Spain, who use the service to teach their classes online. Yet no matter where it is and how much help it gets, a start-up company still has to prove that its business model works, and Mr. Amoribieta acknowledged that the sales process had been slow. â€œWe are starting to realize,â€ he said, â€œthat while the technology is here to work out remotely, it will take time for people to come around to this concept.â€

But based on its expenses, he said, Vidnex has â€œplenty of financial runwayâ€ and a plan for future hiring, contingent on sales growth. Some of those new employees, he said, may come through the new law.

A version of this article appears in print on November 23, 2014, on page BU1 of the New York edition with the headline: At Spain’s Door, a Welcome Mat for Entrepreneurs.