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William Chislett**

Summary

Spain stays in 11th position in Elcano's Global Presence Index.
Podemos ideologue quits frontline politics, party moves towards the centre as support wanes.
Higher growth, stronger job creation and balanced budget in 2015-18.
Spain leads the world in WEF's tourism competitiveness ranking.
Volkswagen to invest €4.2 billion in its Spanish plants.

Foreign Policy

Spain stays in 11th position in Elcano's Global Presence Index
Spain continued to be ranked 11th in the [Elcano Global Presence Index](#), which measures the positioning of countries outside their own borders (see Figure 1).

The index covers 80 countries, 10 more than for 2013, and is based on a broad array of economic, military and soft presence dimensions.

Figure 1. Elcano global presence ranking and scores, 2014 (1)

Ranking	Score
1. US	1,099.6
2. UK	404.9
3. Germany	400.5
4. China	363.5
5. France	321.3
6. Russia	295.0
7. Japan	257.7
8. Netherlands	231.2
9. Canada	205.4
10. Italy	176.0
11. Spain	169.0

(1) Out of 80 countries.

Source: Real Instituto Elcano.

The only change in the top-ranked countries was Germany, which was dislodged from second position by the UK. The latter's rise was largely due to a massive sale of gold to Switzerland (a one-off factor) and, to a lesser extent, growth in its overseas development cooperation.

Half of Spain's global presence is due to its soft dimension (see Figure 2).

Figure 2. Spain's global presence index absolute values and % share in the index of the economic, military and soft presence dimensions

	1990	2000	2005	2010	2011	2012	2013	2014
Economic presence	11.3	24.8	45.7	62.5	66.6	78.3	75.7	79.6
% of global presence	27.2	36.8	43.7	43.8	43.6	46.6	46.5	47.4
Energy	1.1	1.5	3.1	3.7	4.6	8.1	7.7	7.8
Primary goods	2.4	5.6	9.9	12.9	14.4	17.6	17.8	18.5
Manufactures	2.8	5.8	9.7	10.8	11.7	13.6	12.6	14.1
Services	4.8	9.1	16.5	21.4	21.6	24.9	23.9	25.4
Investments	0.4	3.0	7.1	14.6	15.3	15.3	14.9	15.0
Military presence	2.5	2.7	3.2	3.5	3.7	3.7	3.7	2.4
% of global presence	5.7	3.8	2.9	2.4	2.3	2.1	2.1	1.3
Troops	0.0	0.6	0.6	0.6	0.6	0.6	0.6	0.2
Military equipment	2.4	2.0	2.4	2.8	2.9	2.9	3.0	2.1
Soft presence	28.2	40.7	56.8	78.1	84.0	87.4	84.8	87.1
% of global presence	67.1	59.4	53.5	53.9	54.1	51.3	51.4	51.2
Migrations	0.8	1.7	4.4	6.1	6.2	6.1	6.1	6.1
Tourism	20.0	24.8	29.9	27.9	28.1	30.0	30.8	32.4
Sports	1.6	2.8	5.7	8.1	8.1	7.9	7.7	7.1
Culture	1.2	1.0	2.3	3.9	3.6	4.8	5.4	5.4
Information	0.0	0.1	1.0	8.6	14.6	17.2	17.2	17.2
Technology	0.6	1.0	1.4	1.7	1.6	1.2	1.2	1.2
Science	1.6	3.8	5.2	7.3	7.7	8.4	8.9	9.5
Education	0.8	3.4	1.5	4.0	4.6	5.2	4.6	4.6
Development cooperation	1.5	2.1	5.2	10.4	9.4	6.6	3.1	3.9
Global presence index value	42.0	68.2	105.6	144.1	154.3	169.3	164.2	169.0
Position in the index	10	11	11	10	11	11	11	11

Source: Elcano Royal Institute.

The index, calculated annually since 2010, measures the ability of states to project themselves beyond their borders. By comparing a state's presence with its actual power (or influence), it is possible to measure the extent to which it is punching above or below its weight.

If the EU is taken as one country, then it still leads the global presence, with a score of 1,214.9 (down from 1,219.8 in 2013) compared with the US's 1,099.6 (up from 1,060.1 in 2013).

For the first time, the contribution of each EU member state to the EU's global presence is calculated. The UK, Germany and France account for more than half of the EU's global presence (see Figure 3).

Figure 3. The EU's 2014 global presence by member state (in %) (1)

Ranking	% contribution
1. UK	19.8
2. Germany	16.9
3. France	14.7
4. Italy	7.5
5. Netherlands	6.9
6. Spain	6.6

(1) Out of 28 countries.

Source: Elcano Royal Institute.

The Spanish region that contributes the most to the country's global presence is Catalonia, at 21.59%, higher than its contribution to Spain's GDP (19.8%), followed by Madrid (19.5%), which is lower than its GDP contribution (19.8%). Catalonia's strong contribution emphasises the tremendous loss to Spain if the region succeeded in its push for independence.

Spain and Egypt to study Cairo-Luxor high-speed train link

The Spanish and Egyptian governments signed an agreement to study the feasibility of a bullet-train link between Cairo and Luxor during the visit to Madrid by Egyptian President Abdel-Fattah el-Sissi.

Spain has the world's second-longest high-speed rail network after China. Cairo and Luxor, two of Egypt's most popular tourist destinations, are 500 km apart.

The two countries also signed a crime and security cooperation accord. El-Sissi, who as head of the armed forces led the coup against Islamist President Mohammed Morsi and later was elected as a civilian President, held talks with Spanish and Egyptian business leaders.

'Brexit' would lead to Madrid pressing for joint sovereignty formula for Gibraltar

A British exit from the EU would lead to Spain re-visiting the proposal of joint sovereignty for the self-governing UK overseas territory of Gibraltar if the Rock wants to remain in the EU, José Manuel García-Margallo, Spain's Foreign Minister, said.

The Minister's remarks followed an article in [Politico](#) by Fabian Picardo, Gibraltar's Chief Minister, in which he warned of the 'disastrous consequences of economic exclusion from our main trading bloc' which 'would be compounded by giving Spain a brand new opportunity to lock us out at the border'.

García-Margallo said that if Gibraltar wanted to stay in the EU 'we will have to go down memory lane and dust off that joint sovereignty formula'. In 2002, Gibraltarians overwhelmingly rejected such a proposal on which Spain and the UK were said to have reached agreement.

According to Picardo, when García-Margallo became Foreign Minister he 'asked officials if he could just close the frontier with Gibraltar. Only Gibraltar's British membership of the EU protected it from such an action'.

Spain's Popular Party (PP) government has turned up the heat on Gibraltar. The stringent border controls introduced in July 2013 after Gibraltar enraged Spain by tossing 70 concrete blocks into waters off its coast that are claimed by Spain, in order to encourage sea-life to flourish, continue to cause lengthy queues of cars and pedestrians.

Domestic Scene

Podemos ideologue quits frontline politics, party moves toward the centre as support wanes

Juan Carlos Monedero, one of the founders of the radical anti-establishment party Podemos, which has been narrowly leading the polls if a general election was held today, quit the party's leadership over policy and strategy differences.

He accused the party, led by Pablo Iglesias, of sacrificing its principles in order to win power. Monedero, like Iglesias a political science lecturer at Madrid's Complutense University, will continue to work for the party but not in the front line.

Tensions within Podemos' leadership have been brewing for some time and came to a head when the party was drawing up its programme for the municipal and regional elections on 24 May.

The programme confirms the party's sharp U-turn towards Nordic-style social democracy and away from its association with the populist movements that have erupted across Latin America, especially the 'Bolivarian Revolution' of the late President Hugo Chávez of Venezuela. Monedero was an advisor to Chávez from 2005 to 2010.

Podemos has now formally ditched the more controversial elements of its European election manifesto presented last year when it burst on to the political stage and began to upend Spanish politics by winning five seats in the European parliament and 1.2 million votes.

Nationalisation of key economic sectors, a state-guaranteed living wage, a 35-hour workweek, mandatory retirement at 60, a law preventing profitable companies from firing workers and a citizen's audit of public debt have been discarded.

The party's star measure of its 215 proposals is a commitment to stop evictions of families who in 'good faith' are unable to keep up with their mortgage payments. This has been a big social problem.

Income tax rates for those earning more than €50,000 a year would be raised but lowered for those earning under €25,000.

Podemos has hit a ceiling in its support. The April Metroscopia poll showed it would win 22.1% of votes compared with 28.2% in January. According to self-placement scales (where 0 is extreme left and 10 extreme right), 35% of the electorate is located at 5 and the average for the population is 4.7. Four parties –the conservative Popular Party (PP), the Socialists, Podemos and Ciudadanos, the other upstart party– as opposed to the traditional two (PP and Socialists) are competing for votes in the centre ground.

While Podemos' support is waning, that for the centre-right Ciudadanos is rising. Of those at the self-defined position of 5 in the scale, 15% said they would vote for Ciudadanos, 13.7% for the PP, 12.1% for Podemos and 10.1% for the Socialists.

A poll by the government-funded CIS published earlier this month and conducted in April gave Podemos 16.5% of votes if a general election were held today compared to 23.9% in January. The PP would gain 25.6% and the Socialists 24.3%.

No party would be able to form a government on its own and would have to form a coalition or establish a minority government with pacts on a case-by-case basis. A foretaste of what could be in store is being played out in Andalucía where the Socialists won the most seats in the region's election on 22 March, but two months later the party has been unable to form a government as it is short of a majority and all the other parties refuse to support it in one form or another. If this situation persists until 5 July a fresh election will be called.

Opinion polls paint a similar picture to that in Andalucía in some of the 13 other regions and town halls that go to the polls on 24 May.

Spain at bottom of EU countries in lobbying safeguards

Spain was ranked 17th out of 19 countries in Transparency International's [survey](#) of lobbying regulations in the EU, with a score of 21% (see Figure 4). Slovenia was top at 55% and Hungary and Cyprus bottom at 14%.

Figure 4. How strong are safeguards against undue influence and rules to promote ethical lobbying in European political systems? Selected countries (%)

	Transparency	Integrity	Equality of access	Total score (1)
France	24	30	27	27
Germany	13	25	30	23
Italy	11	27	22	20
Spain	10	35	17	21
UK	34	51	46	44
Average score (2)	26	33	33	31

(1) The overall score is an un-weighted average of results in the three sub-categories. It represents the strength of the overall system of regulatory safeguards against undue influence in lobbying and efforts to promote open and ethical lobbying.

(2) Nineteen countries and three EU institutions (European Commission, European Parliament and Council of the EU).

Source: Transparency International, Lobbying in Europe – Hidden Influence, Privileged Access.

The survey, which also covers three core EU institutions, one of which, the Council of the EU scored an abysmal 19%, comes at a time when public trust in government is at an all-time low and the practice of lobbying is widely associated with secrecy and unfair advantage.

Seven Spanish universities with faculties in world's Top 50...

Spanish universities are ranked low in the world's classifications, but when the classification is made on the basis of faculties the picture tells another story. The latest QS ranking in these terms puts seven of them in the Top 50 (see Figure 5).

Figure 5. Spanish university faculties in the QS Top 50 (position in brackets)

Universidad Politécnica de Cataluña	Architecture and built environment (22) Civil and structural engineering (35)
Universidad Autónoma de Cataluña	Veterinary science (23)
Universidad Pompeu Fabra	Economics and econometrics (23)
Universidad Ramón Llull (private)	Business and management studies (29)
Universidad Carlos III	Economics and econometrics (38)
Universidad de Barcelona	Philosophy (48)
Universidad Complutense de Madrid	Veterinary science (50)
Universidad Complutense de Madrid	Dentistry (40)

Source: QS.

The top-ranked university as whole is Barcelona University in 166th place. The rankings of Shanghai (ARWU) and the Times Higher Education give similar results.

The QS [survey](#) covers 36 faculties in 894 universities in 60 countries. Overall, US universities continue to dominate the top of the tables, accounting for almost 37% of the top-50 places. Harvard and MIT are by far the most successful institutions, leading in 21 out of 36 subjects between them.

... Improvement in percentage of those not in education, training or employment

For the first time since 2008, the proportion of 15 to 29 year olds not in education, employment or training (known as 'neets') came down in 2014 to 20.7% from 22.5% in 2013, although it is still well above the average for OECD countries of 15%.

Neets have risen steadily since 2008 (15.3%), when the massive property bubble burst, to a peak of 25.8% in 2012. Among the first to lose their jobs were young adults who had dropped out of school at 16 and went to work in the oversized and unsustainable construction sector.

The early school-leaving rate also improved last year to 21.9% from 23.6% in 2013, but it was still almost twice the average EU level.

The Economy

Higher growth, stronger job creation and balanced budget in 2015-18

The government upgraded its growth forecast for this year to 2.9% (double that of 2014) in its new macroeconomic [programme](#), which envisages the creation of 500,000 jobs a year and an almost balanced budget in 2018 (deficit of 10.2% of GDP in 2012).

These projections are part of the government's stability programme which euro member states have to submit to the European Commission every year (see Figure 6). The government had projected GDP growth of 2% for this year in the programme drawn up in 2014.

Figure 6. Stability Programme, 2015-18

	2014	2015 (1)	2016 (1)	2017 (1)	2018 (1)
GDP growth (%)	1.4	2.9	2.9	3.0	3.0
Unemployment rate (%)	24.4	22.1	19.8	17.7	15.6
Current account balance (% of GDP)	1.0	1.7	1.8	1.6	1.4
Budget deficit (% of GDP)	-5.7	-4.2	-2.8	-1.4	-0.3
Gross public debt (% of GDP)	97.7	98.9	98.5	96.5	93.2

(1) Forecasts.

Source: Stability Programme 2015-2018, Economy Ministry.

This year's growth will be the highest since 2007, the last year before the economy went into a double-dip recession.

In an electoral year –municipal and regional elections on May 24 and a general election by December– the PP, discredited by a wave of corruption scandals, is loudly trumpeting Spain's recovery in a bid to gain votes in a tight contest with the emergence of two new parties at the national level gaining support.

According to the government, there will be more people in work at the end of this year than at the end of 2011 when the PP ousted the Socialists and the jobless rate will be lower.

Gross public debt, which has almost trebled since 2007, is forecast to peak in GDP terms at 98.9% this year and come down to 93.2% in 2018.

The forecasts would be knocked off course, however, if the assumptions upon which they are based –low oil prices, interest rates at historically low levels, the euro's depreciation and the ECB's liquidity policy– change substantially. If this happened, growth would be 1.5% and not close to 3%.

Job creation is speeding up, with 504,200 more people in work in the year to March 2015, but the unemployment rate at the end of the first quarter was slightly higher than at the end of 2014 at 23.8% (25.9% in March 2014).

The apparent paradox is explained by a still high numerator (more than 5.4 million people unemployed) and a denominator (the labour force) that has declined.

Nevertheless, the latest figures, based on the regular quarterly survey, show that Spain's economy is firmly recovering. Employers created 289,700 jobs on permanent contracts in the year to March and 174,800 temporary positions.

Most of the jobs created were in services (334,900), followed by industry (142,500) and construction (118,500). The number in agriculture dropped by 91,700.

The April unemployment figure based on those registered in government offices (job seekers) was also encouraging. The number of registered unemployed was 4.3 million, 2.67% lower than in March. The number of social security contributors rose above 17 million for the first time since April 2012.

The labour-intensive construction sector is reviving, following the bursting of the massive property bubble in 2008 which caused housing starts to plummet from 865,000 in 2006 to a mere 35,000 in 2014. This sector shed 1.7 million jobs between 2007 and 2013. In the 12 months to March 20% of employment,

according to the quarterly labour-force survey, was created in this sector, which is a much higher proportion than its share in total GDP. In the first quarter of 2015 the sector created 30,300 jobs (in civil works and property), while industry added 2,300 and services lost 135,400.

The harsh reality for many families continued to be highlighted, however, by the 1.79 million households with no member in employment. In April, 55.4% of those registered as unemployed received some kind of subsidy, down from 64.5% in January 2013. Almost one in four unemployed people in 2014 had been without work for three years or more, according to the labour force survey (see Figure 7).

Figure 7. Long-term unemployment (million and %)

	2007	2009	2010	2011	2012	2013	2014
Total unemployed (million)	1.84	4.15	4.64	5.01	5.81	6.05	5.61
Three years or more (%)	14	8	11	14	18	21	25

Source: INE.

Spain also has the dubious distinction of having four regions in 2014 with the highest jobless rates in the EU out of a total of 272 regions (see Figure 8).

Figure 8. Regions with highest unemployment rates in 2014 (%)

	Rate (%)
1. Andalucía (Spain)	34.8
2. Canary Islands (Spain)	32.4
3. Ceuta (Spanish North African enclave)	31.9
4. Extremadura (Spain)	29.8
5. Castilla-La Mancha (Spain)	29.0
6=Dytiki Ellada (Greece)	28.7
6= Kentriki Makedonia (Greece)	28.7
8. Melilla (Spanish North African enclave)	28.4
9. Dytiki Makedonia (Greece)	27.6
10. Attiki (Greece)	27.3

Source: Eurostat.

Eurostat's annual poll of the EU labour market showed that 57% of part-time workers in Spain (mostly women) worked fewer hours than they would have liked last year (see Figure 9).

Figure 9. Underemployment and part-time work, 2014

	Persons aged 15 to 74 working part-time and being underemployed		Part-time employed aged 15 to 74, in % of total employment
	Share of women (%)	As % of part-time employed	
France	74	32.1	18.9
Germany	73	14.9	27.5
Greece	55	72.1	9.4
Italy	61	18.3	18.3
Spain	69	57.3	15.9
UK	64	22.4	26.5
EU	67	22.2	20.3

Source: Eurostat.

Government revenue still low, but deficit comes in on target

The government's revenue (taxes and other sources of income) improved marginally in 2014 to 37.8% of GDP and government expenditure was reduced to 43.6%. This left the government deficit on target at 5.8% of GDP.

Spain's revenue and expenditure in GDP terms are well below the respective EU averages of 45.2% and 48.1% (see Figure 10).

Figure 10. Government revenue, spending and deficit, 2011-14 (% of GDP)

	2011	2012	2013	2014
France				
Gov. revenue	50.8	52.0	52.9	53.2
Gov. spending	55.9	56.8	57.0	57.2
Gov. deficit	-5.1	-4.8	-4.1	-4.0
Gov. debt	85.2	89.6	92.3	5.0
Germany				
Gov. revenue	43.7	44.3	44.5	44.6
Gov. spending	44.6	44.2	44.3	43.9
Gov. deficit	-0.9	0.1	0.1	0.7
Gov. debt	77.9	79.3	77.1	74.7
Italy				
Gov. revenue	45.6	47.8	48.0	48.1
Gov. spending	49.1	50.8	50.9	51.1
Gov. deficit	-3.5	-3.0	-2.9	-3.0
Gov. debt	116.4	123.1	128.5	132.1
Spain				
Gov. revenue	36.0	37.0	37.5	37.8
Gov. spending	45.4	47.3	44.3	43.6
Gov. deficit	-9.4	-10.3	-6.8	-5.8
Gov. debt	69.2	84.4	92.1	97.7
EU-28				
Gov. revenue	44.0	44.7	45.4	45.2
Gov. spending	48.5	49.0	48.6	48.1
Gov. deficit	-4.5	-4.2	-3.2	-2.9
Gov. debt	80.9	83.7	85.5	86.8

Source: Eurostat.

The European Commission has given Spain until 2016 to reach the threshold deficit level of 3% of GDP.

Spain leads the world in WEF's tourism competitiveness ranking

Spain, the third most visited country in the world, heads the World Economic Forum's tourism competitiveness ranking for the first time (see Figure 11). It was ranked fourth in the last index and eighth in 2011.

Figure 11. Travel and Tourism Competitiveness Index 2015 Ranking

Country and ranking (out of 141)	Score (1-7)
1. Spain	5.31
2. France	5.24
3. Germany	5.22
4. US	5.12
5. UK	5.12
6. Switzerland	4.99
7. Australia	4.98
8. Italy	4.98
9. Japan	4.94
10. Canada	4.92

Source: World Economic Forum.

The [index](#) is based on four sub-indexes, 14 pillars and 90 individual indicators. The low rank for business environment (100th) reflects the red tape related to construction permits and an inefficient legal framework, while the labour market (113th) is still assessed as somewhat rigid (see Figure 12).

Figure 12. Spain's position in the main components comprising the travel and tourism (T&T) index

	Rank out of 141	Score (1-7)
Enabling environment	35	5.26
Business environment	100	4.09
Safety and security	31	5.97
Health and hygiene	33	6.11
Human resources and labour market	34	4.87
ICT Readiness	31	5.26
T&T policy and enabling conditions	8	4.66
Prioritisation of travel and tourism	6	5.89
International openness	41	3.93
Price competitiveness	105	4.22
Environmental sustainability	29	4.61
Infrastructure	2	5.68
Air transport infrastructure	12	4.91
Ground and port infrastructure	10	5.54
Tourist service infrastructure	4	6.58
Natural and cultural resources	4	5.64
Natural resources	14	4.59
Cultural resources and business travel	1	6.69

Source: World Economic Forum.

Tourism has long been a cornerstone of the economy. The number of visitors in 2014 was a record 64.9 million, up from 60.6 million in 2013. Britons, in particular, continue to flock to Spain in their millions and there has been a surge in visitors from emerging markets such as China, Brazil and Mexico.

The sector is playing an important role in Spain's economic recovery. In April the hotel business created 75,514 jobs, the largest number for any sector, bringing the total to 1.39 million (based on social security contributors).

Corporate Scene

Volkswagen to invest €4.2 billion in its Spanish plants

Volkswagen gave Spain a massive vote of confidence by announcing it would invest €4.2 billion over the next five years in its two Spanish plants.

The investment, the largest by VW in Spain and one of the biggest ever, is roughly the same as the total investment by all car companies in Spain in the last three years.

VW's two plants in Martorell and Navarra will make two new models. Last year they produced 748,400 cars, 13% more than in 2013. The company's turnover of €13.8 billion accounted for 1.3% of Spain's GDP.

VW bought the ailing SEAT (founded in 1950) in 1986.

Ibex-35 companies' profits up 38% in first quarter...

The companies that comprise the Ibex-35 benchmark index of the Madrid stock exchange posted net profits of €9.39 billion in the first quarter, 38.2% more than in the same period of 2014.

The main driver of the much improved results were the seven banks in the index, which earned €4.22 billion (+65%), and Telefónica whose profit jumped 162% to €1.80 billion. This reflected a €1.20 billion tax gain linked to the sale of Telefónica's 02 operations in the UK to Hutchison Whampoa.

... But 'too opaque' in their information

The companies that comprise the Ibex-35, the benchmark index of the Madrid stock market, scored on average 1.21 out of 4 in the latest assessment by the Corporate Social Responsibility Observatory, a non-profit making organisation subsidised by the Labour Ministry.

Red Eléctrica, the national grid, led the ranking with 2.01 and Grifols, a pharmaceutical company, was last with 0.54 (see Figure 13).

Figure 13. Ibex-35 corporate social responsibility, selected companies (1)

	Score (2)
Inditex	1.67
Telefónica	1.65
Repsol	1.61
Iberdrola	1.58
BBVA	1.51
OHL	1.29
Santander	1.27

(1) Based on 2013 annual reports.

(2) Out of 4.

Source: Observatorio de Responsabilidad Social Corporativa.

Banks still weighed down by toxic real estate assets

Spain's banks are successfully reducing the volume of their bad real-estate loans, but they are still saddled with large foreclosed real-estate assets (properties and land).

According to the annual reports of 14 banks (most of the financial system), total gross foreclosed assets at the end of 2014 stood at €88,791 million and were covered by €43,639 million of provisions (see Figure 14).

Of the total foreclosed assets, 38% is land, 25.3% completed buildings, 20.6% home purchases, 5% buildings under construction and 11% other assets.

Figure 14. The burden of bricks and mortar (€ million)

	Gross foreclosed real-estate assets	% covered by provisions
Banco Popular	15,460	39.9
Caixabank	14,925	55.0
BBVA	13,753	53.6
Banco Santander	11,157	54.6
Bankia	4,989	42.1
Rest of banks	28,507	–
Total	88,791	49.1

Source: Banks' annual reports.