
Spain and Asia: harnessing trade, soft power and the EU in the Asia-Pacific Century

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Theme

This analysis argues that Spain has strengthened its links and presence in the Asia-Pacific area since the launch of its first framework plan for the region in 2000, although more needs to be done to further boost relations.

Summary

Spain is a relatively newcomer to Asia-Pacific affairs. Its first framework plan for the region was only issued in 2000. Since then, however, three Asia-Pacific plans have been launched and conceptualised Madrid's strategic stance in the region. In short, Spain's main goals are to boost trade and investment links, and to use its soft power –now especially through Marca España– to improve relations making use of its membership of the EU and, to an extent, NATO to both maximise benefits from Asia's economic growth and to become more involved in the continent's main geostrategic issues. This paper argues that Spain has indeed strengthened its links and presence in the Asia-Pacific area. However, Madrid needs to ensure that economic support to initiatives designed to boost bilateral relations is increased. Meanwhile, Spain also needs to provide diplomatic backing for the EU's –and NATO's– initiatives on the region as a way to further reinforce its links with Asia-Pacific.

Analysis

A newcomer to Asia-Pacific

Spain is a newcomer to the Asia-Pacific region. Contrary to other Western European countries, Spain only established a clear strategy to boost its presence in the region relatively recently. Since the turn of the century, however, Spain has both paid increasing attention to Asia-Pacific and, as a result, strengthened its presence across the region. However, more needs to be done to boost Spanish links throughout the Asian continent.

Historically, Spain has only shown a limited interest in Asia-Pacific. Aside from the formal colonisation of the Philippines (1565-1898) and the establishment of the first regular trade route between Asia and the Americas through the Manila Galleon, the region was peripheral to Spanish foreign policy. Today, the absence of meaningful historical links means that Asia does not have a strong imprint in the collective memory of Spaniards in the way that Europe or Latin America do. Even though modern exchanges date back to the 1960s, for several decades Spain lagged behind countries such as France, Germany, the Netherlands and the UK in terms of seeking to strengthen ties with Asia-Pacific. Thus, government action was and remains central to boosting Spain's presence in the region.

It was not until 2000 that a Spanish government issued the country's first-ever Asia-Pacific framework plan. The plan was the result of two sets of factors. On the one hand, the then Foreign Minister Josep Piqué considered Asia-Pacific one of the last frontiers of Spanish diplomacy. He was a key driving force behind the framework plan. On the other hand, there were two structural phenomena driving Spanish interest in the region: Spain's position as a middle-ranking power with great power aspirations, and the by-then undeniable rise of Asia. Cutting across partisan and regional lines, the original framework plan established general goals that have driven Spanish policy towards Asia-Pacific ever since –including in the two subsequent action plans of 2005 and 2008–. These goals can be summarised as strengthening economic links, using soft power to boost bilateral relations and supporting EU –and NATO– policy towards the region to facilitate Spanish objectives.

Boosting economic links: still the number-one priority

Strengthening trade and investment links remains Spain's top priority in Asia-Pacific. The country is no different from its European counterparts in this respect. Indeed, economic complementarities were the main driver behind the first modern exchanges between Spain and Asia. In the 1960s, cash-rich Japanese companies began to invest in Spain to benefit from the country's then-cheap labour and proximity to the EEC. Korean and other Asian companies would eventually follow suit. By the 1990s, Spanish companies also started to seriously consider high-growth Asian economies as outsourcing destinations and, especially, potential markets for Spanish goods and services.

Nonetheless, Spain's economic links with the region remain relatively underdeveloped. As of 2016, China and Japan were the only Asian countries among the top 20 Spanish trading partners, at number 12 and 18 respectively. As for investment, again only China at number 11 and Japan at number 15 were among the top 20 investors in Spain by stock as of 2016. Spain lags behind the four big European economies in terms of trade and investment flows to and from Asia. More needs to be done in this area to strengthen links with the two biggest Asian economies as well as others such as India and Korea.

Most notably, public-private cooperation is essential to boost trade and investment with Asia-Pacific. Madrid has to show a greater commitment to supporting Spain's private companies as they venture into the region. In this respect, the central government's trade and investment agency ICEX is key and should be better supported. While the work done by this agency is commendable and it attracts very highly-qualified staff, its budget is dwarfed by its counterparts. For example, at £277 million the budget of UK Trade and Investment was four times more than the €86 million received by ICEX in 2016. Considering that the number of Spaniards living across Asia is very small –34,000 across the continent as of 2016 according to Spain's National Statistics Institute, compared with 45,000 British citizens in Singapore alone– the work of ICEX is essential for Spanish companies, especially SMEs, to gain first-hand knowledge of economic and sociological developments in the region.

In addition, the Spanish government should once again make strategic use of ODA to support Spanish companies in the less developed parts of Asia-Pacific. In the years

before the Global Financial Crisis, Spain's ODA to the region increased significantly in terms of volume and number of countries targeted. OECD data, however, shows that ODA was slashed in the aftermath of the crisis from a peak of 0.46% of GNI in 2009 to a trough of 0.15% in 2012 and 0.21% in 2016 –the fourth lowest percentage among OECD members–. As ODA was cut, most aid flows again concentrated on Latin America and Sub-Saharan Africa. An increase in ODA to South and South-East Asia to the levels witnessed before the Global Financial Crisis would support Spain's private sector in the region. In common with most other countries, it is usual for Spain's development projects to involve the country's own private companies. This would give them a greater presence in countries such as Pakistan and Cambodia, where the public sector dominates the economy.

Soft power to foster better relations

Strong economic links are generally correlated with good bilateral relations. In Spain's case, Madrid has a significant advantage: the country has a good reputation internationally. As the regular reports published by the Spain Image Observatory of the Elcano Royal Institute show, this good reputation extends to Asian countries. Notwithstanding positive perceptions of Spain, the Asia-Pacific framework and action plans identified boosting Spain's image across the region as a goal in and of itself –as well as a means of strengthening economic links–. The rationale is that Spain's soft power in the form of the Spanish language, the country's culture and other well-known assets –ranging from its food to its football teams– can make it a more attractive partner and destination. Also, Madrid is aware that the good reputation that Spain enjoys in Asia-Pacific does not conceal the fact that the country is relatively unknown in the region.

High-level head-of-government visits are essential to boosting Spain's image across a region in which face-to-face contact remains central. This was well understood by Prime Minister Felipe González, who became the first Spanish leader to ever set foot in Asia when he visited India in 1984 and China and Japan one year later. It would be Prime Minister José Luis Rodríguez Zapatero, however, who would become the most frequent Spanish head of government to visit the region. He would even venture to countries such as Kazakhstan, showing his appreciation for the nuances of Asia-Pacific geo-economics. Prime Minister Mariano Rajoy has also occasionally visited the region. However, leaders such as Angela Merkel, David Cameron and François Hollande, when they were in power, have been much more frequent visitors to the region. This is detrimental to Spain's image in Asia-Pacific because the country does not make as many of the positive headlines and highest-level links that come from these visits, and this should be addressed.

The use of *Marca España*, a long-term government policy aimed at strengthening the image of Spain launched in 2012, is also central to using Spanish soft power. Cultural and educational exchanges, bilateral forums and visits by sportspeople and teams had already become common throughout the 2000s. But *Marca España* has served to bring together separate initiatives and create a strategic framework for Spanish public diplomacy. Even though the potential impact of *Marca España* should not be exaggerated, its work should bear fruit in the long term and strengthen people-to-people links between Spain and targeted Asian countries such as China and Korea.

Nonetheless, Spain is catching up with its Western European neighbours such as Germany and Italy in this area. Thus, Madrid would need to significantly boost its investment in *Marca España* –eventually by harnessing private financing and launching profit-generating programmes and activities–. The initiative had no budget when it was launched, having partly to rely on other government departments in its early stages. This is to be avoided.

In this respect, Spain also has to make better use and provide more support to the Cervantes institutes scattered across the region. Currently there are nine in Asia-Pacific. This is a significant improvement since the 1990s, when only one centre in Manila was in operation. However, it is a modest number compared to other Western European countries. There are nine Goethe institutes across China, Japan and Korea alone, for instance, while Alliance Française has 15 centres in China alone. Making use of Spain's soft power requires a greater presence on the ground than is currently the case.

EU membership to advance Spanish economic and geostrategic objectives

Membership of the EU –and NATO to an extent– is another pillar of Spain's Asia-Pacific framework and action plans. It is an important channel for Spain to increase trade and investment with the region, thus supporting Madrid's main goal. Indeed, the EU itself has only relatively recently sought to make use of its trade power to deepen economic relations with Asia. At the time of writing, the EU has one FTA in place with Korea since 2011 and two other agreements signed with Singapore and Vietnam in 2014 and 2015 respectively. A host of negotiations are ongoing with countries across Asia, including fairly advanced negotiations with Japan. Considering that the EU has transformed its trade deficit with Korea into a surplus since their agreement was signed, it is understandable that Brussels sees advantages in cutting more deals across Asia.

There is broad support for EU FTAs in Spain. Neither left-wing nor right-wing governments have publicly expressed opposition to these agreements. Indeed, Spain seems to be part of a bloc including Germany, the Netherlands and much of Central and Eastern Europe that almost invariably supports the Commission in its negotiations with Asian countries. For Spain, FTAs are a means to boost the competitiveness of its high value-added exports to the region, such as industrial products and pharma-chemistry. In contrast, countries such as Italy and France have sometimes sought to slow down the negotiation of some agreements with the region's countries. The divide is perhaps clearest in the case of the EU-China investment agreement currently under negotiation. Spain has shown its support for the agreement and, indeed, has been very keen to attract Chinese investment since the Global Financial Crisis. Support for the Commission's negotiations with this and other Asian countries should continue, given the benefit to the country's economy.

Being part of the EU and NATO gives Spain the additional advantage of conferring Madrid a geostrategic presence in the region that it would otherwise lack. The Asia-Pacific framework and action plans issued over the years reinforced the traditional Spanish policy of non-intervention in the region's political and security conundrums. But as the EU and, to an extent, NATO, have become more involved in Asia-Pacific's

geostrategic challenges, successive Spanish governments have been more than willing to provide material support to both organisations.

In the case of EU missions, Spain has been part of EU NAVFOR Atalanta since its launch in 2008. Focusing on counter-piracy in the Gulf of Aden, the mission has been central to UN efforts to ensure the smooth transit of trade between Asia and Europe. Participation in the mission has allowed the Spanish navy to cooperate with its counterparts from countries such as Japan, Korea, Pakistan and Singapore. In addition, Spain has also been part of the EU's policing mission in Afghanistan since 2007 and its monitoring mission in Aceh in 2005-06. In the case of NATO, Spain was part of the organisation's war efforts in Afghanistan from 2003 and indeed was one of the last countries to withdraw its troops from the South Asian country. Spain was also part of NATO's post-earthquake relief assistance following Pakistan's devastating earthquake of 2005. For Spain, continuing support for these international initiatives is an essential component of its role as a middle power and its goal of supporting stability in Asia-Pacific.

Conclusions

As of 2017 it is no exaggeration to say that Spain's presence and links in Asia-Pacific are at their historical height. Spain might have colonised the Philippines for over 300 years but its presence in other parts of the region was always minimal compared to other Western European countries. As a result, Spaniards' collective memory has little space for Asia compared to Europe or Latin America. This is why the role of successive Spanish governments has been key to foster the current links with the region. Without the Asia-Pacific framework plan first launched in 2000, Spain's relationship with the region would have strengthened but not to its current degree.

Madrid should thus be commended for its role in fostering Spain's links with Asia-Pacific. Its goal of strengthening economic relations across the region is being achieved, thanks no doubt to market factors but also in no small part to governmental efforts. These include close cooperation with the private sector, most notably through the work of ICEX, the use of soft power to improve Spain's image through cultural diplomacy –now brought under the umbrella of *Marca España*– and support for Brussels' FTA strategy towards the region. Furthermore, Spain has also enhanced its geostrategic presence in the region through support and participation in EU and NATO missions. This helps Madrid's middle-power credentials and backing for a stable Asia-Pacific.

In order to further enhance its presence in the region, the Spanish government should make sure it provides adequate resources to ICEX, *Marca España*, Cervantes institutes and any other institutions supporting Spanish policy towards the region. Spain is not the only Western European country seeking to improve relations with Asia-Pacific countries, and, in this case, money does talk. From this it follows that the government should also increase ODA towards the region to further work alongside Spanish companies seeking a foothold there. Finally, Spain should continue its support for the EU –as well as NATO– as a way to further strengthen its position vis-à-vis and links with Asia-Pacific.