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Spain's position in the world in 2013

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Introduction[1]

Everything indicated that after the fall of the Berlin Wall and the collapse of the Soviet Union, the world would enter a long period of stability, with order and security provided by the last remaining superpower –the 'hyperpower' in the words of Hubert Védrine–: the US. And that is how it worked out, although only for a few years, in the roaring 90s, as John Stiglitz called them –years in which to reap the peace dividend, years of democratisation and growth, the years of the dot.com boom–.

But we entered the 21st century through a 'gate of fire', in the epic phrase coined by the then UN Secretary General, Kofi Annan, in reference to September 11, 2001. The event brought onto the stage of world history what we still call the Third World, behind which is the biggest economic and social revolution the world has ever seen. And there we are, in the midst of an economic and social upheaval only comparable to the Industrial Revolution but which is far more extensive, as it affects the entire planet and not just the old G8 countries. It is also deeper, more intense and, especially, much faster moving. China now boasts the world's second-largest economy, but it will soon be the largest, while India will soon be number three, and so on. What we are seeing is a global convergence which the current crisis is fostering and deepening by clearly accentuating the relative decline of Europe, and, who knows, perhaps of the West itself.

The underlying reason is simple and clear enough: huge but unevenly spread demographic growth. The result is that Europe now accounts for less than 10% of the world's population, while Asia accounts for 60%. When the productivity of the masses of people in underdeveloped countries was low, their population weight did not translate into economic or political power. But that is no longer the case. There is now a tremendous transfer of technology (both hard and soft) underway, from West to East and from North to South. This brings countries' per capita productivity levels closer together, turning demographic powers turn into economic powers, and the latter into political and military powers.

Neither Europe nor Spain remain unaffected by this geopolitical revolution, which supersedes more than 300 years of history, a period which Eric Hobsbawm has called the 'Era of Europe' or the 'Era of the Empires'. And while previously the future of the world was decided here, in El Escorial or Lisbon, in London, Paris, Berlin or Washington, it is now determined elsewhere, and the future of Europe and Spain depends more on what happens outside than within. And foreign policy is increasingly becoming one of the most important domestic policies.

1 Working paper coordinated by **Ignacio Molina** with the cooperation of **Haizam Amirah-Fernández**, **Félix Arteaga**, **Pablo Bustelo**, **Gonzalo Escribano**, **Carlota García Encina**, **Carmen González Enríquez**, **Carlos Malamud**, **Iliana Olivié**, **Fernando Reinares**, **Alicia Sorroza** and **Federico Steinberg**, and with an introduction by **Emilio Lamo de Espinosa** and conclusions by **Charles Powell**.

The undisputed fact is that the parameters on which Spanish foreign policy was based since the transition to democracy after General Franco's death (and even earlier, since late in the Franco regime) have changed drastically in just a few years. Spaniards always look north to Europe, with some envy and a certain inferiority complex: they want to be European because, in a way, they believe they are not, or at least not completely (the philosopher Ortega y Gasset considered Europe the solution to Spain's problems). Spaniards look to the West (to Portugal and beyond, to Latin America) with a certain (now obsolete) superiority complex, as though setting an example and being a model for them. But what about the south? Spain simply does not look in that direction, or not much, almost as though it wished it were not there and that the world ended at the Straits of Gibraltar. As a result, Spanish foreign policy has been structured around four vectors: (1) the EU, as Spain is and wants to be part of Europe; (2) a pro-European spirit that takes into account NATO, as the EU cannot exist without the military alliance with the US; (3) Latin America, with which it forms Iberoamerica; and (4) the Maghreb, the southern –and true– border. Historically, Spain's interests never went much further, nor did it have the resources to pretend to do much more.

But this set of four geographical priorities must be adapted to the new circumstances, which have completely overturned long-held concepts. Absorbed in its own deep economic crisis, the EU is struggling to move forward; furthermore, Europe is no longer 'the' problem for the US and Washington is looking, or pivoting, towards the Pacific. Latin America, on the other hand, has grown and matured and no longer looks at Spain with admiration; and the southern Mediterranean is red hot, whether for good or ill, no one knows.

The bottom line is that Spain cannot afford not to rethink its foreign policy, but not because of ideological concerns or because the government has changed hands or because a new consensus requires it. Rather, it must do so simply because the world has changed. It is nothing short of reckless to fail to change one's mind when circumstances change.

Complicating things, however, is the fact that Spain must change its foreign policy at a time of acute domestic crisis, certainly the worst since the end of the Franco dictatorship. It is not only an economic crisis but also a political one, which has weakened the credibility of Spain's diplomacy and drastically reduced the resources available (diplomatic, military and foreign aid). Put bluntly, it must do a lot more with a lot less.

This is tantamount to saying that Spain must be very smart, astute and prudent, and must seek strong allies. The task will be difficult but not impossible. An assessment published recently by the European Council on Foreign Relations on EU foreign policy

shows that small countries (such as the Netherlands and Sweden) can have a considerable impact. Spain must imitate them, because it is undoubtedly punching below its weight.

That is what this paper aims to do: present the map, or at least a map, of Spain's foreign policy for this year. It is a novel kind of project which the Elcano Royal Institute hopes to consolidate in the future. The idea is to publish a new edition each year, with a list of the challenges that lie ahead and a forecast of possible developments. The report will also look at whether the predictions made for the previous 12 months were, in fact, accurate. It is a tricky job that will test the Institute's ability to analyse and forecast.

The project is also novel in the way that the study was compiled, as it was a collective effort that relied on almost all of the Institute's researchers, under the coordination of one of them (in this case, Ignacio Molina). This method of working relies on teamwork and the idea is to extend it to other products, such as studies on bilateral relations between Spain and some of its most important partners that will be published in the near future. The coordinator will vary depending on the country in question, but experts in the various sectors will work together on these studies.

The report is divided into five sections. After an introduction that discusses the major cross-cutting challenges of this year, it has three main sections of analysis. The first looks at the impact of the economic crisis on the external action that Spain can carry out in 2013. The second addresses security challenges in turbulent times (especially in North Africa and the Middle East). And the third is a geographic review of Spain's foreign relations. Finally, the study ends with conclusions by Charles Powell, the Elcano Royal Institute's Director.

(1) A key year for the tough task of providing Spanish external action with a strategic vision

In 2013 Spain limps into its sixth year of deep economic crisis and its fourth year of non-stop deterioration in its position overseas, a process which started when it held the rotating EU Presidency in the first half of 2010. The opportunity to be in the limelight turned into the bitter confirmation that, on the international stage, the country was even more vulnerable than previously thought. Over the course of these years, Spain has lost prestige and objective weight on the world stage both from an economic standpoint –with a prolonged recession and high borrowing costs that cause so much damage– and a political point of view, as dismal unemployment and national debt figures appear to translate into social unrest, a lack of faith in Spanish institutions and tension between Spain's regions. As a result, in a short time Spain has been relegated to the status of a peripheral European state, with the glitter of former success now coming from other, emerging powers. In such a context, in which there has also been a sharp

reduction in available public resources and even a collective disheartening over the role Spain can play in the process of globalisation, diplomatic action is a very difficult task.[2] However, it is also true that such a situation opens up the opportunity for real and meaningful innovation. That is precisely the challenge that Spain faces this year: making virtue out of necessity and, although the money for ambitious international endeavours might be lacking, undertaking the necessary structural reforms regarding conceptual (ie, foreign policy goals) and institutional (ie, mechanisms and tools) foundations that, under normal circumstances, would be difficult to change.

In this respect, as the new government of Mariano Rajoy looks back on its first year in office –and with no more time in which it might conceivably argue that it is focusing on overhauling Spanish foreign policy– the moment has come to launch two major initiatives that will shape the country's diplomacy in the future. On the one hand, with regard to the institutional issue, a wide-ranging new law is expected to cover both organisation and procedure. The idea is to end an anomalous situation marked by a lack of regulation and coordination in Spanish foreign policy over the entire democratic period. At the same time, as far as the conceptual and doctrinal aspects are concerned, the idea is to accompany the new legislation with a strategic document that puts down in writing the priorities and goals of Spanish foreign policy.

Passage of the new bill is far from guaranteed. This is not only because of the swift erosion the government has suffered in its first year in office –that has erased part of the political capital that came with the absolute majority the Popular Party won in the 2011 general election– but also because of specific difficulties. The complex wording of the bill –because of conflicts of jurisdiction between the central government and Spain's autonomous regions and, especially, because of objections raised by several Ministries affected by the attempted reform– does not augur well for the law that might finally be approved. Ultimately, it might be hard to implement or so vague that it might not amount to much of a change in relation to the current situation. When all is said and done, a bill like this cannot and probably should not resolve problems in the Spanish political and administrative system that are beyond its scope, such as the tensions inherent between the central and regional administrations in a decentralised State and the challenge of putting an end to the departmentalisation that is fostered by the current structure of the upper echelons of Spain's bureaucracy. Nevertheless, the new law will be judged by whether it manages to achieve the following: (1) a decision-making process which, while acknowledging the leading role of the Foreign Ministry, is shared to a greater extent by other departments and that is more functional; (2) a realistic coordination with non-governmental agents that have an overseas projection, but without aiming for a degree of action so unified as to be unworkable; (3) a greater accountability, which means not only democratic transparency but also the assessment of results; and, finally, (4) a model of diplomatic mission that embraces these three goals and can count on better-trained staff.

At the same time, the strategy that should accompany the law also faces an uphill battle if it aims to be more than a mere laundry list spelling out the Foreign Ministry's conventional views on the major issues and geographic regions in formulating policy. Although a foreign policy guide would already be significant progress, it would be desirable to have a government product –or, better still, a State-sponsored one, involving as far as possible other institutions, the political opposition and civil society–that should really merit the name of strategic document. In order to do this, it would have to set firm priorities –for external action in the broad sense and not just of a diplomatic nature– and be assigned the (regrettably scarce) resources that are actually available. Furthermore, it would have to propose a reasonable division of labour with the new Common Foreign and Security Policy carried out by the EU's European External Action Service from Brussels. From a domestic standpoint, the strategy should fit in with the many other recent documents which are also reference points for government foreign policy but which are not always consistent with each other (such as the Spanish National Security Strategy, the National Defence Directive, the Master Plan for Spanish Cooperation, the Spanish Economic Policy Strategy, the National Reform Plan, the transformation of the export and investment agency known as ICEX into a business entity, and the reshaping of Spain's efforts to promote Spanish culture).

In any case, it should be highlighted that the culture of policy-planning –and, it is to be hoped, that of evaluating results– finally appears to be coming to Spanish foreign policy. The Project known as *Marca España*, or Brand Spain, launched in 2012, also aims to follow this more strategic approach, identifying cross-cutting and consensus-based goals, encouraging cooperation between departments and seeking to achieve tangible results. And although the initial thrust of that theoretically long-term project seems to have faltered and is evolving into something more tactical, it does include the annual drafting of External Action Plans which in principle hold much potential for programming and assessment. Even within the limitations of these developments, there seems to be no question that today it is more difficult than in the recent past to contemplate a diplomacy that is divorced from major domestic goals or that subordinates pragmatism to merely seeking international status or prestige. Of course, 2013 cannot ultimately be judged by whether the new Law or the External Action Strategy succeed. Rather, the yardstick will be whether the two documents move forward, their content is consistent and their application plausible over the medium and long term.

As that horizon approaches, 2013 is also a year brimming with very short-term challenges for Spanish diplomacy. The three most important ones share as a common feature that, to a greater or lesser extent, they are linked to the economic crisis and have Spain itself as their origin, or main source. The first is the role Spain is playing on

2 According to GDP figures, in just five years Spain's economy has dropped from being the world's eighth-largest to the 13th. But the **Elcano Global Presence Index** (2012 edition) shows a more stable trend for Spain, which is 11th in the ranking. Even though Spain has diminished its projection in terms of development aid or immigration, and stagnated with regard to defense, its internationalization remains high in other dimensions of 'soft' presence (culture, sports or tourism) and, above, in the corporate realm.

the European stage in relation to the EU's future: in 2012, staring at the abyss of the possible break-up of the euro zone, important decisions were made by the European Council and the European Central Bank (ECB) that have helped Spain a great deal because they strengthened, although they did not guarantee, the idea that the common currency is here to stay. But it will still have to be determined if, after the recapitalisation aid for Spanish banks, Spain will have to request a full-blown bailout, which might have financial advantages but which would also harm the country's economic reputation and carry with it a political stigma. Furthermore, from that position of weakness Spain will have to take part in the debate on redesigning the EU, with new equilibriums between institutions and States announced for the post-crisis era. The second challenge has to do with the independence drive in Catalonia, although the hard economic times Europe is undergoing and the timetable the Catalan regional government is working with suggest that it will not be until 2014 that the authorities in Barcelona will launch a specifically international strategy on this issue and force Spanish diplomacy to react. The third big challenge is more mundane but still no minor issue. Spanish diplomacy must adapt to the largest budget cuts enacted since democracy returned to the country in the 1970s. This will mainly affect development aid and military missions, and in a best-case scenario will freeze spending on all other aspects of Spain's overseas projection.

Along with these three major problems with a common internal origin, Spain must also address other issues that have arisen abroad. Practically all of them lie to the south: (1) persistent radical Islamist activity, with attacks, kidnappings and armed conflicts in the Sahel region; (2) concerns over energy supplies, not only with regard to Algeria, but also possible problems that could emerge with Libya, the Suez Canal or Iran; and (3) destabilisation and internal conflict that might arise in several states (already more than evident in Syria and Egypt and not impossible in some states of the Maghreb region of North Africa), depending on how the Arab Spring evolves. These risks that Spain must confront because of its delicate position on Europe's southern flank should not be viewed only as just another weakness at a time when the country seems so vulnerable. To the contrary, they are also a fundamental factor in its geopolitical relevance for the EU and the US. However, with the exception of the deployment at the naval base in Rota of a sophisticated US anti-ballistic missile shield, 2013 does not seem like a good year for Spain to make use of its location on what is perhaps the West's most complex and decisive border. As shown by the difficulty of taking on military commitments in Mali, Spain cannot now aspire to project a high profile. But in any case, it is vital not to lose presence. This can be achieved with a policy that more actively seeks out bilateral and multilateral alliances. Nor should this policy be limited to the realm of security. Spain should try to insert this emphasis into a more integral approach that includes investment and trade, cooperation, social issues and environmental challenges.

Both along the Mediterranean basin and in Latin America, Spain's level of projection remains at a historically high level, despite the crisis. Intense levels of personal and

business interaction show that relations with those regions go far beyond the political sphere. Therefore, this year Spain must be especially mindful to prevent the current diplomatic downscaling or overly hasty and counterproductive budgetary cuts from leading to a loss of position. Spanish external action is now putting to the test its stated desire of maintaining or even increasing its economic and cultural presence in the turbulent Maghreb. There, despite all the trouble Spain is undergoing, the lessons learned in the Spanish transition to democracy still attract interest. The same applies for an emerging Latin America, which in some cases has even been somewhat cavalier with Spain

(2) The very long shadow of the crisis

This section looks at the impact of Spain's very trying economic situation on the external action it can carry out in 2013. Clearly, a central topic is how it can manage its own crisis in the European scenario, including the negotiation of several issues linked to the future of the euro zone and the possibility of a full-blown bailout for the Spanish economy. It will also examine other global risks –related to domestic events in the US and possible energy problems– which could make what is already a very complicated situation even worse.

It also includes a review of three issues, the evolution of which depend to a large extent on the current state of crisis and severe budgetary restrictions: (1) the overseas projection of the so-called Brand Spain (with the economic and cultural efforts that accompany it); (2) the redefinition of Spanish cooperation in a context of major cuts in the funding earmarked for international development; and (3) immigration issues, which, amid very high unemployment, are shaped by the need to manage the always difficult integration of second-generation immigrants and at the same time deal with the as yet moderate number of Spaniards leaving the country in search of better job prospects elsewhere.

(2.1) The future of the euro and the evolution of the international economy

At the same time as major structural changes are leading to a gradual change in paradigm as a result of globalisation, the Spanish economy faces major challenges in the immediate term. The main risks and challenges this year can be divided into those which are related to how the euro zone crisis evolves and those of an external nature.

The main external point of interest from an economic standpoint is without a doubt Europe. Over the course of 2013, it should become clear if Spain needs a bailout, if the important steps toward establishing a European banking union will be taken –as the first element of an overall deepening of the pillars of Economic and Monetary Union– and if, barring unexpected adverse events, the Spanish economy can return to growth. As for the bailout, the key question is whether the lower borrowing costs that Spain has

benefitted from since late 2012 take root. It is true that Spain's debt financing costs have dropped, but less than in other countries of the euro zone periphery (such as Ireland and Italy). And there remains the danger that markets will test whether ECB chairman Mario Draghi's statement that he will do whatever is necessary to save the euro is anything more than rhetoric. If the markets do this, it would force Spain to activate the BCE's programme of buying government debt on the secondary market (OMT, or *Outright Monetary Transactions*). It also remains to be seen if Germany –which is holding general elections in September– will block the implementation of this initiative out of fear of inflation effects over the long term.

Nor can an unforeseen worsening of the situation be completely ruled out, which would heighten tensions surrounding the euro, either from an asymmetrical shock stemming from the Middle East or a gradual but relentless loss of confidence in the euro by the market, even after the ECB's intervention. This scenario requires: (1) in a worst-case scenario, the drawing up of contingency plans for the possibility –not likely, but not altogether impossible either– of the euro zone breaking up; and (2) in the best case, that Spain pushes hard for the negotiation of an improved EMU that helps guarantee the euro's survival. On the road map towards this goal, based on the four pillars of banking, fiscal, economic and political union, 2013 is a key year for progressing towards a banking union. And although direct capitalisation of the banking sector will not come in time for Spain's banks to benefit, the forthcoming establishment of a single overseer may send a powerful signal to the markets to the effect that the EU is prepared to move forward and break the vicious circle between sovereign and bank debt. This would be particularly beneficial for Spain, not just because it would imply more political capital invested by the EME countries in their currency, but also because the problems of the financial sector and tight credit are perceived overseas as the main hindrance to economic growth.

As for Spain returning to economic growth, much will depend on how the other EU economies do, as the EU is Spain's main export market and exports are destined to be its main source of economic growth. The recent approval of the EU's multi-year financial framework for 2014-20, in which Spain came out in a relatively good position, or possible action by the European Investment Bank and other stimulus packages agreed at the European level can serve as additional sources of growth, although their potential is limited. It would be much more important and effective for the EU to ease deficit-reduction targets and deadlines. If the drive to fiscal consolidation is not carried out too fast, and does not thereby thwart fledgling economic growth, it might be possible to begin to see the light at the end of the tunnel as far as the recession is concerned. But this does mean Spain can be complacent. With or without pressure from Europe, Spain still needs to undertake deeper structural reforms in order to achieve growth that is more sustainable. The tax system needs deeper reforms, markets (mainly services) need

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Looking beyond Europe, Spain must pay attention to three other sources of potential problems. First is the debate in the US on raising its public debt ceiling. This must be resolved so that the world's largest economy does not slip into technical default. Although this is an issue that is drawing much media coverage and causing volatility and uncertainty in the international markets –a US government default on its debt obligations would be a systemic event that would paralyse the world economy– it is very likely that in the end the situation will be resolved. The second risk for the world economy, and which would also affect Spain because it could foil the world economic recovery, involves East Asia and problems stemming from a possible swift decline of the Chinese economy or a heightening of nationalist and protectionist tensions which, for instance, might resurrect the political and trade conflict that arose in 2012 between China and Japan because of a territorial dispute. Finally, the third source of trouble would be a rise in oil prices as a result of a deterioration of the geopolitical situation in the Middle East. The possible fallout from the civil war in Syria, an Israeli attack on Iran or other tensions related to its nuclear programme, and complications for ships travelling through the Straits of Ormuz or the Suez Canal are some of the tension-raising scenarios –not likely, but indeed possible– that might cause oil prices to climb. This could deliver a real blow to the global economy, which, although it is expected to maintain a growth rate of more than 3% in 2013 (mainly because of expansion in emerging economies), is already starting to slow down. Still, in the absence of shocks on the supply side, the oil market's fundamentals do not point to steep price increases, and prices could even decline.

(2.2) Brand Spain and economic and cultural diplomacy

The creation in 2012 of the High Commissioner and the Brand Spain Council marked the consolidation of a government project for external action stemming directly from the economic crisis and the subsequent loss of prestige that Spain has experienced in

recent years. The idea, pioneered personally by the Foreign Minister, José Manuel García-Margallo, involves using Spanish diplomatic activity to improve Spain's image and enhance its position in the political, economic-business and scientific-cultural areas. Although the Brand Spain project is designed to have a strategic and long-term character, 2013 is an important year for two reasons. On the one hand, because the project will be fully operational over the course of the year and will require the design of the so-called Annual External Action Plan, including the identification for the first time of short-term goals. On the other hand, and to the extent that Spain's image aboard continues to deteriorate –since the foreign press is giving negative coverage to issues such as unemployment, corruption, social unrest and pro-independence sentiment in Catalonia– the government will see its still-weak tools of public diplomacy put to the test, precisely those which this project is at least in theory supposed to strengthen.

In the current crisis, the main thrust of Brand Spain is to help Spanish companies go international through what the Foreign Ministry calls economic diplomacy. In fact, exports of goods and services, strong earnings posted by Spanish multinational companies in other countries and a rise in tourism are three positive factors which in 2013 are in contrast to a domestic demand sapped by high unemployment and budgetary austerity policies. For instance, Spanish exports to the countries of the Maghreb region and to Turkey have trebled in recent years and the trend should continue because there is a significant growth potential as the initial export level was relatively low. But protecting overseas investments might be trickier because –as seen last year in Argentina and Bolivia-- Spain's political and economic weakness can prompt attacks on certain companies, especially in the energy sector. As fuel prices are expected to remain high, energy nationalism can be expected to continue, with new instances of nationalisations of companies and a worsening of conditions for access to these resources, for example through a toughening of tax or tariff regulations.

Along with this internationalisation that mainly targets businesses, the other major component of Spain's overseas projection –cultural, educational and scientific activity– is also facing the economic crisis and spending cuts. The Cervantes Institute, which has seen its budget slashed by 14% this year, will have to find self-financing in order to prevent the closure of some of its 67 centres or the reduction of its staff numbers. Budgetary austerity is offset by the healthy demand of those wishing to learn Spanish, especially in Asia –and the increasing use of the language on the Internet and in the social media, where it is now the world´s second most frequently-used language–. It is also difficult to continue to lure foreign students to the Spanish university system because tuition fees have been raised and government contributions to scholarship programmes and the Fundación Carolina have been cut. Finally, with regard to research and technological development, the impact of austerity will perhaps not be noticed so much this year –there will still be good news on the innovative capacity of some Spanish

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(2.3) International cooperation and development

Unless there is a natural disaster in the remaining months of the year or an international humanitarian emergency triggered by an armed conflict –which could well happen, for instance, in the case of Syria or the Sahel region of Africa– the main challenges for Spanish development aid are linked to the implementation of the Master Plan for Spanish Cooperation 2013-16 (IVPD). It was approved in December 2012 in a context of major budgetary cuts for official government development aid. The plan is conservative and lacking in innovation in some respects –such as, for instance, the broad variety of sectors in which aid is provided–. But it is also ambitious, although not very specific, to the extent that it aims to go from aid centred on carrying out activities to aid focused on knowledge and results.

In several public speeches, the Secretary General for International Development Cooperation, Gonzalo Robles, has defined the plan's approval as a starting point, rather than the finish line, for the current Parliament's aid policy. And the path lying ahead holds seven major challenges.

First of all, the biggest and perhaps most difficult goal to achieve in the current circumstances is to ease the decline in government development cooperation. International development aid is one of the policies to have been hardest hit by the spending cuts that began in 2010. According to data from the *Coordinadora de ONG para el Desarrollo* (CONGDE –NGO Development Aid Coordinator–), the accumulated fall in the past three fiscal years could be as much as 70% compared with the 2009 level. It seems essential for this decline to slow down, given the implications that the

decline might have in terms of its impact on development and Spain's global presence. As an example, if Spain's ratio of government development aid to GDP goes down further, Spain could drop below the minimum necessary to sit on the OECD's Development Assistance Committee. The problem is that, regardless of whether the cuts were essential, or if they stemmed only from pressure to reduce the budget deficit, the generalised perception is that –unlike other areas of external action– development aid policy is not a strategic priority for the current government. To that end, an important challenge for officials overseeing this policy depends on their ability to communicate to the core executive leaders, the administration in general and to the Spanish people, the elements that define international aid as a critical element of state policy and a cornerstone of a modern country's external action.

Secondly, and this issue is linked to the first, the current government has set the goal of withdrawing, in an orderly fashion, from some of the countries which receive Spanish development aid. Indeed, one of the structural weaknesses of Spanish aid is that it is so spread out across sectors and geographic regions. Besides this dispersed nature, since 2010 the funding earmarked for government aid abroad has dropped steadily, with the pace quickening in 2012. The IVPD states as a goal 'to close down or redesign 29 country programmes over the next four years'. This decision, already undertaken in the last decade by some other European countries (which have mainly withdrawn from Latin America) raises the challenge of designing a pullout strategy that is orderly and communicated correctly to the larger development aid community and especially to the countries affected. There is the risk of withdrawals that are hasty and poorly communicated, which can harm overall relations with the country that had been receiving assistance. There is also the temptation (for the very purpose of averting a delicate situation from the political standpoint) to 'redesign' almost all of those 29 programmes without shutting down any of them. This would have the effect of cementing, or even increasing, the fragmentation and dispersed nature of Spanish development aid to levels that are not compatible with a minimum of effectiveness and impact on development.

A third challenge –presented as the overriding one for the IVPD as a whole, and which, as stated, is a praiseworthy one– is to move from cooperation based on 'activity' to cooperation based on knowledge and results. But this cannot be achieved without a thorough reform of the institutions that implement Spain's development aid and of the Spanish administration in general. The reform should accompany the design of a proper system to identify and assess human resources.

The fourth challenge is to reconfigure the relationship between the administration and civil society. With aid flows dropping constantly, a new government in office and a new presidency at the CONGDE, a disconnection has emerged between the government and

the array of civil society organisations working in development aid. This strategic relationship, that has been a distinctive and key feature of Spanish aid, must be redefined. Here, the basic challenge for both parties is to build a relationship based on a more strategic vision of the impact of development aid.

Another consequence of the fall in aid volume is an increase in the proportion of assistance funding that is non-reimbursable, which can be tallied as official government aid (under some conditions) without it being reflected in the budget deficit. Right now, much of this funding is channelled through the Development Promotion Fund (FONPRODE), which was created in 2010. But this fund is adrift in a kind of institutional limbo. So it would be good for FONPRODE´s activities to be fully inserted with those of the non-reimbursable aid funds in a common cooperation strategy.

A sixth task would be to seriously address the need to start carrying out a systematic assessment of aid policy. Many decisions affecting it are hard to make because there is no record of what worked and what did not. It is thus essential to implement a more transparent and efficient system of evaluation.

Finally, Spain must contribute to the post-2015 development agenda. The IVPD states, quite accurately, that Spain needs to adopt a more pro-active attitude in the shaping of international agendas. The target date for the Millennium Development Goals is 2015. As that deadline approaches, it is urgent for Spain to consider its positioning in the new agenda. Thus, for instance, major progress is being made in Spain's cooperation policy towards Latin America in defining and measuring South-South cooperation (which involves only developing and emerging countries) and the so-called triangular cooperation (which involves both of these plus traditional donors). These development aid models are proving to be the most suited to 'the coming world' as described in the introduction to this paper. Raising the political profile of this kind of activity will also be important in the search for a more active role for Spain and Latin America in the processes of defining or redefining the European and global development agendas.

(2.4) Migration

In the area of migration Spain is facing three main challenges in 2013: (1) managing its new emigration flow; (2) integrating second-generation immigrants; and (3) controlling the flows of undocumented people who keep arriving from Africa despite Spain's unfavourable economic situation.

Spain's huge rise in unemployment has brought an end to the massive arrivals of foreigners of 2000-09. It has also caused many of these people to go back home, and even prompted many Spaniards to go abroad, most of them to other EU countries and to Latin America. This outflow raises several challenges for Spain's overseas services and

its foreign policy. Some of the challenges are related to the country's current immigration phase, with restrictive measures to curb entries, while others are caused by the absence of rules and experience in managing migration in the host countries. News stories in Latin America about Spaniards who are denied entry at the border or expelled for not having a residence permit harm Spain's image, and make it necessary to ensure that such emigration is orderly and regulated. Latin American countries that are taking in immigrants, mainly from other countries in the region, are already receiving guidance under the EU-Latin America Structured Dialogue on Migration, which began in 2009, and Spain must continue to support this initiative.

Meanwhile, helping expat Spaniards integrate into local job markets and gain access to public services in host countries often requires support to provide them with information on matters such as job offers and access to healthcare or political initiatives to facilitate accords on having Spanish university degrees recognised in the host country. These initiatives tend to be problematic. Several Spanish delegations overseas have already adapted to the situation and are active in developing services designed for recently-arrived young Spaniards. It is a new model for looking after the Spanish community –different from the one catering for older emigrants or their offspring– and should be As regards migration, Spain is facing three main challenges in 2013: (1) managing its new emigration flow; (2) integrating second-generation immigrants; and (3) controlling the flows of undocumented people who keep arriving from Africa despite Spain's unfavourable economic situation.

As for the integration of immigrants living in Spain, the prospect of the second-generation joining the workforce is a cause for concern because this is happening with the economy in recession and it is hard for young people to find work. In the case of immigrants, besides this overall difficulty there is the added one of weak household economies, with families struggling to support an unemployed adult. In 2012 there were 285,000 people residing in Spain between the ages of 15 and 19 who were born abroad (outside the EU, or in Romania and Bulgaria) and 374,000 aged 20 to 24. Street violence among adolescent and young immigrants, which breaks out sporadically in major cities, is a symptom of hard times that affect this demographic sector. European countries with more experience in immigration than Spain have learned that integrating second-generation immigrants is often more difficult than for their parents and may require specific measures, especially through the educational system.

Finally, with regard to undocumented foreigners who continue to arrive from Africa, new ways of stealing into Spain have emerged, such as along the rocky coast of the Spanish islets in North Africa (one is accessible on foot at low tide) or swimming to Melilla from the Moroccan city of Nador. Preventing illegal immigration from Africa depends on a weak institutional architecture both in relation to Morocco (which has still

not signed a repatriation agreement with the EU) and with the countries of West Africa with which a variety of accords are impeding the departure of undocumented people from their coasts. It is necessary to strengthen these agreements to guarantee their effectiveness, a task which can only be achieved with the full participation of the EU.

(3) Security challenges

In this section, the economic crisis is also to some extent a highlight this year, as cuts in public spending should have a major impact on the rethinking of military missions and the restructuring of the armed forces. But there are other important factors to consider when one analyses security challenges, generally stemming from North Africa and the Middle East. Among other risks there is the possibility of political instability and domestic and international conflicts in the broader region, the rise of radicalism and Islamist terror and problems with ensuring energy supplies.

(3.1) External security and defence

Barring strategic surprises, there are five main challenges for Spain's external security and defence policy during the year. They are outlined not necessarily in order of importance. As we shall see, along with Spain's need to attend immediately to unrest at its southern flank, most of these challenges are linked in one way or another to the need to redefine doctrine, capabilities and the arms industry in a context of budgetary austerity.

The first big challenge is to apply the National Security Strategy. First approved in 2010 and revised in 2013, it is essential to implement it in a way that all the tools, policies and sectoral strategies can be integrated and streamlined as soon as possible. If this is not done, momentum will be lost and doubts will arise over Spain's will and political ability to carry out the task. The main obstacle for its application does not involve doctrine, but rather organisation, as the strategy calls for centralising the organic structure of crisis management in the prime minister's office. And that is very complex given the Spanish administration's high degree of departmentalisation.

The next challenge has to with restructuring the armed forces and adapting defence policy to the new strategic context described by the National Defence Directive, which is marked by budget cuts, an increase in bilateral relations and the weakening of multilateralism. Defence policy has to address change, and enhance bilateral ties with the countries that shape the international security agenda: the US (Rota, the Sahel region, NATO) and France (NATO, EU, the Sahel), as well as the UK, Germany, Italy, Poland and Portugal (Mediterranean, EU and NATO). It will be difficult to carry out a thorough Strategic Defence Review if Spain has not first begun to implement the National Security Strategy. But this year the government should lay down the conceptual and organisational bases for this.

Thirdly, Spain must address the withdrawal, or scaling down, of some international missions over the course of the year (Afghanistan and Lebanon) and the possible launch of some new ones (Sahel, Somalia and Syria). The withdrawal of the missions in Afghanistan and Lebanon can be carried out in an orderly fashion if the security situations in those countries evolve as expected. But should that not be the case, the challenge will be to set up contingency plans to allow the speedy and safe exit of the troops deployed in the areas under Spanish responsibility. In the case of Mali, the problem is whether the training mission organised by the EU –in support of the one organised by the Economic Community of West African States (AFISMA), which began deployment once the French mission achieved its aim of freeing northern Mali– will resolve the security problems created for Spain by the presence and growth of Salafist radical Islamism in the area. The contingency plan should address the issue of what Spain should do on its own or with its allies in the region if the AFISMA mission does not achieve the desired results. Europe's plans to transfer its training mission for Somali troops from Uganda to Somalia raises security problems that had so far been absent. In Syria the issue is to decide in which possible intervention scenario Spain should take part and with what tools. This could range from humanitarian efforts (such as sending a military field hospital to the Turkish border) to military ones (if it is necessary to secure weapon depots), along with diplomatic and economic initiatives.

In the context of this overall reconfiguration to reduce its presence overseas, Spain must come up with an action strategy for the geographical area that most affects its strategic interests. This stretches from the Sahel to the Mediterranean, between the Gulf of Guinea and the Suez Canal, a broad area whose security and defence problems will require permanent attention over the next few years from all public and private foreign-policy agents, who will have to make us of all the instruments they have available, including those related to analysis and forecasting. This is where the Elcano Royal Institute itself comes in. As shown by the changes in recent years, it is in this area that some of the greatest challenges to security and defence are arising and 2013 should be the year in which Spain becomes aware of the strategic insecurity to which it is exposed.

The final challenge to address has to do with industrial policy on security and defence. Spain has not viewed the technological and industrial bases of security and defence as a Barring strategic surprises, there are five main challenges for Spain's external security and defence policy during the year. They are outlined not necessarily in order of importance. As we shall see, along with Spain's need to attend immediately to unrest at its southern flank, most of these challenges are linked in one way or another to the need to redefine doctrine, capabilities and the arms industry in a context of budgetary austerity.

(3.2) International terrorism

Two years after the start of the Arab Spring, jihadist-style terrorism is more widespread than before in North Africa and the Middle East, and its make-up is more diversified. Al-Qaeda is today a global terrorist structure whose central core, still located in Pakistan, is unlikely to have become stronger over the period. But that is not the case with its territorial extensions: al-Qaeda in the Arabian Peninsula (AQAP), al-Qaeda in Iraq (AQI) and al-Qaeda in the Islamic Maghreb (AQMI, in its Spanish and French acronyms). Nor can it be argued that the number of groups associated with these three branches, or with their parent organisation, has declined: indeed, some new ones have appeared whose activity is not only frequent but also intense.

This double process of extension and diversification of jihadist terror is particularly clear in the area which, as stated earlier, is of the greatest geostrategic interest for Spain: the territory between the Maghreb and the Gulf of Guinea, particularly in the western parts of the Sahel belt. Throughout 2012, AQMI and two organisations closely linked to it, the Movement for Oneness and Jihad in West Africa and Ansar al-Din, took advantage of a favourable opportunity to seize control and impose jihadist control in northern Mali. Until it was disrupted by French military intervention in early 2013, the jihadist regime had become a source of terrorist threats to the entire country, the region in general and Western Europe itself.

For these and other terrorist groups, some of more recent creation, the top priority is to seize opportunities to influence the structure and distribution of power in a part of the world that is characterised by uncertain political transformation, state institutions that are often weak, economically weak societies in which some Salafist movements gain notoriety, and very porous borders. But AQMI, with its traditional base in Algeria and a haven in north-western Mali –which it enjoyed even before its formation as a territorial extension of al-Qaeda– is a threat to both Western Europe in general and Spain in particular. This is not to mention the array of organisations that –established in other mainly Moslem countries– pose a threat to Spanish citizens and interests, both inside those countries and outside them.

The challenges posed by today's jihadist terrorism, in any of its potential manifestations, makes it necessary to maintain and constantly update the capabilities of police forces and intelligence services, as well as those of the military, which are essential to prevent and fight this type of terrorism effectively. Their global nature makes it essential for there to be international cooperation, which from the Spanish point of view should give priority to both the EU and the US on the one hand, and the so-called 'Broadened Gibraltar Straits' on the other. At the same time it is necessary to act with determination and in a coordinated fashion, at different levels of government and bringing in civil society, to face up to the situations and agents which, within Spanish society, facilitate processes of jihadist radicalisation in certain segments of the Islamic community.

(3.3) Energy security and climate change

The major international strategic challenges facing Spanish energy and climate policy are to a large extent permanent, and for this reason do not vary much from one year to the next. However, the attack on a major gas plant in Algeria in early 2013 introduced a novelty that merits special attention. In more general terms, from a domestic point of view 2013 got underway with the focus on the energy reform measures undertaken by the government and their implications for supply security. Over the course of the year, the government must decide on the future of the Garońa nuclear power plant, consolidate a reasonable model for the use of renewable energy sources and put forward a regulatory framework that maintains the flexibility and diversity of sources and origins of the Spanish energy sector –something which is particularly important given the rise in geopolitical risks in regions that supply Spain–. So it is important to make consumers aware that the price they pay for energy includes the cost of ensuring its supply.

Besides the challenge of maintaining and, if possible, increasing the geographic diversity and sources of its energy, the foreseeable challenges for Spain's international energy policy are: (1) transposing the EU's energy directives, in 2013 particularly the efficiency regulations included in the Union's major energy policy packages; (2) keeping up the political pressure to tackle the electricity and gas connections with France, fostering the western European gas corridor; (3) re-evaluating, in light of the recent measures on renewable energy sources, Spain's goals and role in Mediterranean solar energy and in the Desertec project, which are currently blocked; (4) improving the dialogue with Libya in order to position Spain adequately in the latter's energy sector; and (5) designing a strategic vision that includes Algeria's role as a key.

As regards Algeria –due to the attack on the major gas plant at In Amenas–, in 2013 it will be necessary to pay special attention to security. The attack, along with several minor incidents that followed it, was the first spill-over into the Maghreb of the crisis that had originated in Mali. The plant is far from the fields in which Spanish companies have interests (specifically Cepsa and Repsol). Considering the increased security that will probably be imposed as a result of the incident, it does not seem that the immediate interests of Spanish companies run significant risks beyond logistical problems and the increase in security costs. With adequate security measures, supplies of Algerian gas to Spain (more than 40% of Spain's gas imports) are unlikely to be in jeopardy. Even if there were an isolated incident affecting some part of the supply infrastructure, it will be possible for the companies to manage any disruption because of the good level of diversification of Spain's gas supplies and the sector's resilience. Still, the attack has significant implications for the region's energy geopolitics. First, the invulnerability of Algeria's energy installations has been called into question, while such a thing had not even happened during the country's long civil war. The terrorist attack

raises the possibility that similar attacks can spread to Libya, which has a much more precarious security situation. The markets initially reacted by raising prices to reflect the increase in the region's geopolitical tension, although Algeria is expected to act decisively to prevent similar attacks in the future. However, the incident at In Amenas might have long-term consequences if it adds more uncertainties to those the international companies already have today (due to fiscal and legal obstacles) about investing in exploration and development projects, both in Algeria and Libya.

As stated in the section on defence, this situation shows that the EU and Spain cannot remain on the sidelines and simply watch as security deteriorates in the Sahel-Sahara region. Although the risks to energy may seem relatively minor and easily manageable, they make it necessary for the EU and its most-affected member states, such as Italy and Spain, to design a credible strategy for the region capable of preventing a recurrence of attacks like the one on the Algerian gas plant. In the case of Algeria, it is noteworthy that relations which are cordial on the diplomatic front and healthy in economic terms are not matched in key aspects such as regional security, and that these two elements are not brought together in an overall strategic concept.

Last but not least, another big challenge for the security of the Spanish people has to do with climate change. Although this tends be sidetracked because there is the perception that it is long-term problem compared to the urgency of guaranteeing energy supplies, 2013 is an important year because of the COP 18 and the Rio+ Summit in terms of climate and energy policy. The relative decline in the importance attached to climate change on the international agenda –a result of the economic crisis– affects Spain to the extent that Mediterranean countries are among those which could potentially be most affected by global warming but also by the role of renewable energies in mitigation strategies. The new emphasis on the fight against energy poverty means a greater potential for renewable fuels in the future. Keeping the fight against climate change high on the Spanish energy agenda would be both a sign of consistency in energy policy and a boost for the country's image and its companies overseas

(4) External relations

This final section takes a region-by-region look at Spain's external relations during the year. The four major areas which are traditionally important to Spain –and which are therefore priorities for its diplomatic activity– are outlined in a geographical order that goes counterclockwise: the EU, transatlantic relations, Iberoamerica and then finally the Mediterranean. The section concludes with a mention of Asia, which a typical diplomacy with global aspirations, such as Spain's, simply cannot ignore.

(4.1) Europe and European integration

One of the most interesting conclusions drawn from 2012 was that elections in some

European countries attracted more political and media coverage than those in the world's major economic and military powers. The presidential elections in France in May rivalled the US presidential election of November, while the Dutch elections probably drew more interest than those held later on in Japan. But what is most significant was the concern with which people watched the double election process in relatively unimportant Greece. The country had until then not attracted attention in Spain. But the polls and results were followed much more closely than, for instance, the return to power of Vladimir Putin as President in Russia. These three examples –the results of which had a direct effect on the evolution of the crisis in Spain– serve to illustrate the absolute priority that Europe takes in Spain's external action and, at the same time, the hybrid nature of this relationship: increasingly interconnected to domestic policy and the Ministries of Economy and Finance but less to diplomatic activity.

In any case, it is clear that relations with Spain's main European partners (Germany, France, Italy, the UK, Portugal and Poland) and a focus on the European integration process shape the international activity of the Prime Minister and, to a large extent, that of the Foreign Ministry during 2013. As stated in the first section and in the chapter on the economy, this is a crucial year for achieving a more or less satisfactory conclusion to the euro crisis. It will also be marked by the elections held in Italy last February and above all to be held in Germany this September and by progress in the Europe that emerges from the crisis, after the rules of play and traditional balances between institutions and States have changed, with a Franco-German axis that has deteriorated somewhat. Spain's vulnerable position during this process involves a major risk of the country coming out at the losing end when all is said and done. This was already seen in the second half of 2012 with the delay in establishing a banking union. So it is particularly important to carry out as soon as possible a diagnosis of what sort of future EU is in Spain's interest, both economically and politically, so the country will at least know in what direction it should try to guide negotiations. Following the approval of the framework for the 2014-20 budget, coming back to the negotiating table are issues such as the institutional redesign, the ceding of sovereignty or formulas for solidarity, although it is possible that the process will continue to be semi-paralysed until the autumn, after the German elections.

Bilateral relations and possibly shifting coalitions –debtor States versus creditors, or euro zone countries versus countries that do not use the single currency– will be very important for a weakened Spain. Madrid wants to please whatever government is in power in Berlin (be it Angela Merkel's third or a first one led by Peer Steinbrück), satisfy Paris despite ideological differences with President François Hollande and connect with Italy's new pro-European leader, Enrico Letta, to stand up to the northern countries. However, with London –in light of its deliberate position on the sidelines of the debate on the euro– the political relationship is more modest, although Spain will watch events

in Scotland closely. Finally, and besides maintaining good neighbourly relations with Lisbon, Spain can make progress in its strategic warming of ties with a very active Poland during this year. Poland's entry into the EMU can be especially important for the euro's irreversibility, which, as stated earlier, is still not guaranteed. But relations with EU institutions as such are also important, and in particular with the European Commission with regard to compliance with deficit reduction requirements and with the ECB over a possible bailout, which, in principle, would be disguised through Outright Monetary Transactions on the secondary market.

At the same time, Spain must identify the synergies, complementarities and areas of non-agreement between its foreign policy and that being defined by the EU with the tools of the Lisbon Treaty. This is a process that is parallel to managing the euro zone crisis but not separate from it, as it is clear that the European External Action Service will not reach cruising speed or international credibility as long as the single currency's future remains unresolved. At the same time it is a process that backfeeds because the EU's ability to prove itself capable of addressing the challenges of globalisation will help restore confidence in the euro among internal and external players. In this respect, it seems that 2013 is an important year. As far as the necessary tools and skills are concerned, the High Representative is expected to publish during this year a review of the functioning (and dysfunctions) of the external action service in its first three years of existence. At the same time, another piece of unfinished work is for it to define how it plans to complement the external action of member States. As for doctrine, the Council will have to decide if it endorses the result of a process of reflection on the need to equip the EU with a European Global Strategy. The result of this initiative undertaken by four member states (Sweden, Poland, Italy and Spain) and assigned to four think-tanks in each country (including the Elcano Royal Institute) aims to be a starting point for fashioning an attractive and ambitious narrative for the EU.

(4.2) The US and the transatlantic relationship

Three main areas stand out in 2013in Spain's relation with the US: the economy; security and defence; and issues related to the Internet and intellectual property, in the framework of the fight against international piracy of copyright material.

The economy has not traditionally been the highlight of bilateral relations, but it has been taking on greater importance in the context of the crisis. A highlight is the new agreement between Spain and the US to avoid double taxation. It will have repercussions on the investments of Americans living in Spain and Spaniards living in the US (investments of Spanish capital in the US have trebled since 2006 to US$50 billion, making Spain the world's 11th largest investor in the US and the latter the third largest destination for Spanish investment). It is also important to mention the fight against tax fraud, as the accord signed in 2012 to apply the Foreign Account Tax Compliance

agreement will have to be implemented. Meanwhile, in the realm of transatlantic ties between Washington and the EU, the idea of a free trade agreement is making headway. And in those negotiations, which will be complex, Spanish economic diplomacy must be present.

As for security and defence, the highlight is the signing of the Second Protocol to Amend the Bilateral Accord on Defence Cooperation with the US to cover the presence at the Rota naval base of four USN Aegis-class destroyers, which are part of both the bilateral and NATO frameworks. The main goal is for Spain to participate in the NATO defence system against ballistic missiles. But it also provides added value to the stability of the Mediterranean. Rota is critical for naval and air operations in the area beyond anti-missile defences, as stated by the outgoing Defense Secretary Leon Panetta in a recent visit to Spain (it is important to remember, although it has hardly been mentioned, the role that the Rota base played after the attacks on the US consulate in Benghazi, in which US Ambassador Chris Stevens died). Spanish National Police cooperation with the US in the fight against terrorism, drug trafficking and cybercrime is also expected to be strengthened.

Finally, it is necessary to mention issues related to intellectual property. In April 2012, Washington removed Spain from its blacklist of countries that allow piracy, thanks to the approval of the so-called Sinde Law. The list, based on recommendations from the International Intellectual Property Alliance (IIPA), had been recommending Spain's inclusion since 2008 in its annual report and the subsequent adoption of sanctions. But despite the progress made in having taken it off the list, in 2013 the US is still exerting pressure as it is still concerned about the non-criminalisation of the use of P2P networks for the exchange of content. In fact, Spain's return to the feared list this year cannot be ruled out if Washington concludes that its expectations that the new Spanish law will improve the control of illegal copying of content have not been fulfilled.

(4.3) Latin America and the Iberoamerican system

An important event for Spanish diplomacy in Latin America took place right at the outset of 2013. The summit of the Community of Latin American and Caribbean States –the first held under this format, as before it was Latin America-Caribbean and the EU– brought up the issue of the EU's relationship with Latin America and what role Spain can, should and wants to play. Spain's credibility will increase if its Latin American policy, looking beyond the crisis, is shown to be representing the entire State and not just something conjured up by the latest government that happens to be in power. But in addition to this long-term challenge, three other issues are shaping the year.

First is the implementation of the reform of the Iberoamerican system and the process of replacing Enrique Iglesias as leader of the Iberoamerican General Secretariat (SEGIB, in

Spanish). The activation of a working group led by Ricardo Lagos to update Iberoamerican relations (not just converting the summits into biennial meetings) will reach a peak in 2013. It will be necessary to define the future of the system, the functioning of the summits, what is done at them, financing of the SEGIB and its structure, its possible decentralisation (with larger and more powerful offices in Latin America), coordinating with summits of the Community of Latin American and Caribbean States and the EU, and, of course, a successor to Iglesias. Many of these issues must be decided before the Iberoamerican Summit in Panama, scheduled for October. Besides issues related to the institutional structure of the Iberoamerican system, another significant challenge is to take advantage of and make visible the political capital achieved in certain areas such as, for instance, development aid.

Secondly, Spain has to make up the ground it lost because of the economic crisis and the lack of prominence of its official government aid. As for the former, this means defining a precise list of priorities for the region, centred on the strength of bilateral relations with the most important countries, some of which will stop receiving Spanish aid over the short and medium term. So the focus should be on Mexico and Brazil, but also Chile, Colombia, Peru and other countries that are more open to globalisation. Spain's presence as an observer at the Pacific Alliance could give rise to concrete initiatives. As for the second issue, it is important to view reduced aid and the strengthening of new kinds of cooperation as part of the same process.

Finally, Spain has to determine what role it wants to play in a Latin America without Hugo Chávez, who died in March, and some day without the Castro brothers in Cuba. Chávez's death and the advanced age of the Castros force Spain to think about several possible scenarios and a strategy to develop in a post-Bolivarian and post-Castro phase. Even if initially governments are formed that are loyal to their predecessors, nothing will be the same in those countries or the region as a whole. Here, several issues come into play such as the future of the Organisation of American States and a renewed high profile role for the US, which could be in the interest of Spain and the EU, given the increased presence of countries of the Bolivarian ALBA bloc and other outside players such as China, Iran and Russia. The development of the Summit of the Americas in 2015, which Venezuela wants Cuba to attend, will allow an assessment of the immediate future of relations. With this scenario in mind, and without disregarding the positions of the current governments so as not to draw charges of outside interference, Spain could resume its support for policies promoting democracy, which it has not been able to act upon in the recent years of crisis.

(4.4) The Maghreb and the Eastern Mediterranean

The southern rim of the Mediterranean basin continues to experience political and social unrest in 2013, and some of the phenomena associated with the Arab Spring have

intensified. With its position as the immediate border with the Maghreb region, Spain should take on a dual role: on the one hand, bilaterally and in multilateral forums it should support democratic transitions in its southern backyard, and on the other hand it should prepare contingency plans in case of instability that threatens its interests and security. Both tasks should be carried out in parallel fashion, without one taking priority over the other.

The first challenge that Spanish foreign policy must necessarily confront in the western Mediterranean, both in 2013 and in later years, is political stability in the Maghreb. The underlying motives of the anti-authoritarian revolts in other Arab countries (social unrest, bleak dismal socio-economic conditions, young people facing a grim future, corruption, etc) are still present in countries where there have not been regime changes, such as Algeria and Morocco. To all of this should be added the crisis that could break out if there is a presidential succession in Algeria, or a challenge to the King of Morocco. At the same time, the countries which have begun their transitions (Egypt, Libya and Tunisia) face major difficulties, such as a drop in revenue, little progress under the new authorities in socio-economic terms, relative weakness of current State structures and attempts by domestic anti-democratic forces and external forces to derail the process. Spain and its European partners must proceed cautiously in a context that is so full of uncertainty. But caution should not be mistaken for unreserved support for the status quo or for inaction, as some problems would only get worse.

A second challenge to take into account in the turbulent scenario of North Africa is a situation –apparently not very likely but not altogether unfeasible– in which domestic pressure leads the authorities to try to divert public opinion by seeking conflicts abroad. There are precedents for this in the up-and-down relations between Spain and Morocco, especially when Spain has been seen to be in an unstable domestic political situation (territorial tensions, economic crisis or institutional weakness), with incidents occurring regardless of the party in power. These tests of strength materialise in different ways, with an intensification of Moroccan claims to Ceuta and Melilla or the other Spanish possessions, an increase in migratory pressure from sub-Saharan Africa and the Maghreb, and a rise in populist discourse –both nationalist and religious–, all of which focus on Spain, as well as in the fostering of a more hostile climate to Spanish economic and business interests. The challenge for Spanish foreign policy is to know how to anticipate processes like these and, although they may not seem very likely, have a range of responses ready and a good communications policy aimed at both Spanish public opinion and the countries of North Africa.

The last of the major challenges to bear in mind involves conflict and possible military clashes in the eastern Mediterranean. Besides the traditional sources of unrest, Syria is mired in a ruinous conflict that could destabilise the entire region, from Turkey to the

Mashreq countries, and even force an intervention by a fragmented international community; the Israeli government's policies make the prospect of a negotiated peace with the Palestinians even more remote; Egypt is consumed in a turbulent transition, including a recent military coup in response to the authoritarian tendencies shown by the Islamist forces and their repudiation by a broad sector of society; Iran continues to seek a role as a central player in the Middle East and the Persian Gulf, and engages in a battle of wills with various neighbours and international powers; Arab monarchies, like Jordan, are experiencing growing social unrest and depend on outside support for survival; and, finally, the US is being overwhelmed by the regional transformations and is showing a growing desire to keep a lower profile. Of course, the eastern Mediterranean is far away from Spain, but what happens there determines to a large extent Spain's guarantee of access to the energy resources of the Middle East.

(4.5) Asia-Pacific

The main challenges that Spain has to face in Asia still involve how to approach such a vast and remote area which, without being a priority for Spanish foreign policy, does require special attention as part of a broader framework of external action (diplomatic positioning, business presence and cultural projection) mainly due to the huge and growing weight of Japan, China and other emerging powers in the process of globalisation.

Since it has decided not to renew the Asia-Pacific Plan, the government will have to find other tools for a greater engagement with the region in the political, economic and cultural spheres. Diplomatic contacts, in addition to bilateral ties, should be carried out through the ASEM process (Asia-Europe Meetings). No ASEM summit at the head of State or government level is planned for this year, but there is a meeting of Foreign Ministers scheduled for November in New Delhi. Increasing the commercial and investment presence of Spanish companies in Asia will depend on the individual strategy for each country concerned, with support from official visits. In recent years such visits –by Ministers, the Prime Minister and the King– have been frequent and the drive should continue, and even intensify. Finally, cultural contacts will depend mainly on Casa Asia, whose budget has been reduced substantially. So relations between Spanish and Asian societies will depend to a large extent on European meetings and those organised by Spanish think-tanks.

In a broader sense, the Spanish authorities will have to be in contact with the new leaders of China. In March, the National People's Congress appointed Xi Jinping President and Li Keqiang Prime Minister. Another task that Spanish diplomacy should undertake is to do everything possible so that the Year of Spain in Japan (October 2013-June 2014), which overlaps with the Year of Japan in Spain (June 2013-July 2014), really serves to foster bilateral relations. Previous experiences (for instance, the Year of Spain in

China) had drawbacks which will have to be corrected this time around. Finally, and despite the budget cuts that have been made, Spain should make a greater effort to ensure the success of the forums and seminars that have been organised with certain Asian countries. In particular, Spain must take full advantage of the Spain China Forum (scheduled for the second half of 2013 in Beijing), as it coincides with the 40th anniversary of the establishment of diplomatic ties and the 10th anniversary of the forum's creation.

(5) Conclusions

The available data and the most plausible predictions for the remainder of 2013 suggest that the international political scene will continue to be relatively quiet, at least compared with the previous decade. In contrast to 2003-07 –with the traumatic events of September 11, 2001, further terrorist attacks, the 'global war on terror' and the resulting conflicts in Iraq and Afghanistan/Pakistan– and 2008-12 –marked by the worst international financial and economic crisis since 1929–, the current situation is far less dramatic. On the economic front, the euro was apparently saved in September 2012 and a timid world economic recovery is on the horizon, while as far as security is concerned, there have been minor crises –as in the Sahel– but no high-intensity international conflicts, barring surprises in Syria or Iran. Things at the regional level have also been quieter, with a more peaceful outlook for Eastern Europe, in contrast with the war in Georgia in 2008 and the repeated energy crises between Russia and the Ukraine, and sub-Saharan Africa, which was subject to severe unrest during the great food crisis of 2007-08. Nor should there be big surprises in Latin America, apart from possible repercussions in the wake of Chávez's death and Venezuela's turbulent presidential elections, or in the broader Asia-Pacific region, although China's territorial ambitions could cause more tension than might be desirable. In the Mediterranean basin, the unrest generated by the Arab Spring will continue (as in Egypt) but will be unlikely to reach the fever-pitch that destabilised and in some cases led to the downfall of erstwhile unassailable regimes only two years ago. Even in the political sphere, after elections in all the major world powers in 2012 –the US, China, Russia and Japan–, 2013 is proving to be surprisingly peaceful –even considering the German elections scheduled for September–.

Nonetheless, in a year of transition and relative calm, Spain remains in the eye of the perfect storm, generated by economic recession, unemployment, high debt levels, high bond spreads, budget cuts, social unrest, loss of public trust in institutions, corruption investigations, territorial tension (with a particularly serious pro-independence challenge in Catalonia), a declining international image, diplomatic vulnerability and cuts in development aid and military projection.

Despite this grim scenario, it cannot be ruled out that Spain's political leaders –and all the organisations and institutions which to some extent contribute to the formulation and implementation of external action– will know how to take advantage of the crisis and make virtue out of necessity. As stated throughout this paper, the economic crisis is putting Spanish foreign policy to the test in three basic areas: capabilities, content and consistency. Obviously, a drastic cut in resources –as in the Foreign and Defence Ministries– presents major challenges, some of which will be very difficult to resolve. But it can also be argued that the lack of resources is forcing Spanish officials to rethink their goals, so that for the first time in many years a fledgling debate is under way on Spain's foreign policy priorities. In turn, the complexity and magnitude of the crisis should induce all the parties involved to start viewing external action as an integrated whole, fed by policies of a highly diverse nature (economic, trade, military, educational, cultural and so on) but which should complement each other and be internally consistent. Inevitably, a European dimension is involved: whenever a Spanish embassy is closed down, its functions can to a large extent be taken over by the corresponding EU delegation. In other words, the crisis is giving a greater sense of urgency to the debate already underway in Spanish diplomacy as to what foreign policy goals and priorities can 'Europeanised' and which, by their very nature, should remain in Spanish hands.

In more general terms, the crisis should at least serve to prompt Spain's political leaders to be more mindful of the country's immediate environment and its place in the process of globalisation. In order for this change of attitude to take root and produce the desired effect it will probably be necessary for it to be accompanied by two other basic changes. On the one hand, there would have to be broad national consensus among the main political forces as to the major issues which will dominate Spain's foreign policy agenda during the crisis and, especially, once it is over. On the other hand, the political elite must accept the idea that external action concerns society as a whole and that there must be more and better means for it to express its opinions on the issue.

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