

Inside Spain Nr 166

24 October - 19 November 2019

William Chislett

Summary

King Felipe defends democracy on state visit to Cuba.
Sánchez in abrupt U-turn with Unidas Podemos agrees coalition pact.
Catalan premier faces ban from public office.
Tax burden rises but still below 2007 peak.
European Commission confirms slowdown in economy.

Foreign Policy

King Felipe defends democracy on state visit to Cuba

King Felipe told his host, the Cuban President Miguel Díaz-Canel, during his state visit to the communist island that 'the interests of our citizens are best defended in a democracy'.

The visit to the former Spanish colony, the first ever by a Spanish monarch, was carefully crafted and coincided with the celebrations of the 500th anniversary of the founding of Havana by a conquistador.

The King's remarks followed criticism by some conservative Spanish politicians and Cuban dissidents that the visit legitimised Cuba's one-party system and repression. The King could not have shied away from making a call in favour of democracy, but at the same time there were diplomatic limits as to how far he could go.

His reference to Spain's 1978 Constitution, drawn up after the end of the Franco dictatorship, suggested it could be some kind of model for Cuba's transformation, as it was 'based on agreement, negotiation, consensus and reconciliation', and allowed Spain to see its 'best years as a fully democratic country'.

Díaz-Canel defended the sovereignty and independence of Cubans to decide the rhythm and scope of its own changes.

Spain replaces Chile as host of climate change summit

Spain is to host the United Nations' COP25 climate change summit next month, following Chile's withdrawal as host because of massive anti-government protests. The event is expected to attract some 25,000 people from 200 countries and hopes to flesh out the Paris Agreement climate pact.

José Luis Martínez Almeida, Madrid's Popular Party Mayor, said the city was well prepared to host the COP25. Earlier this year, he was roundly criticised for seeking to suspend the city's successful low-emissions zone.

The summit comes three weeks after Spain's fourth general election in as many years and more inconclusive than the one in April. Acting Socialist Prime Minister Pedro Sánchez hopes to put Spain in the vanguard of EU countries in the ecological transition. His election programme called for renewable sources to generate 74% of power by 2030 and 100% by 2050.

Spain joined seven other EU countries in October in sending a letter to European Commission Vice-President Frans Timmermans, responsible for a European Green Deal and a European Climate Law, calling for a more ambitious carbon dioxide reduction target for 2030 from 40% to 55%.

Domestic scene

Sánchez in abrupt U-turn with Unidas Podemos agrees coalition pact

Acting Socialist Prime Minister Pedro Sánchez agreed to form a minority coalition government with the radical-left Unidas Podemos (UP) two days after the fourth inconclusive general election in as many years, sealing a pact he had previously rejected after April's election and months of on-off and acrimonious negotiations. It requires the support, however, of smaller parties.

The humbling climbdown for Sánchez, after the gamble of going to the polls that backfired, is a matter of political expediency. The pact was propelled by the surge in the far-right nationalist VOX, triggered by the Catalan independence conflict. The party harvested one million more votes and 52 seats, up from 28 in April, making it the third-largest party. Together with the conservative Popular Party (PP) and the pro-market Ciudadanos (Cs), which collapsed, the right has 150 seats in parliament, five fewer than the Socialists and UP, both of whom lost seats (see Figure 1). Pablo Casado, the PP leader, moderated his tone since April, as well as growing a beard, and pulled in 660,000 more votes.

Figure 1. Results of general elections, November 2019 and April 2019 (seats, millions of votes and % of total votes)

	November 2019			April 2019		
	Seats	Votes	%	Seats	Votes	%
Socialists	120	6.75	28.0	123	7.48	28.7
Popular Party	88	5.01	20.8	66	4.35	16.7
VOX	52	3.64	15.1	24	2.67	10.3
Unidas Podemos	35	3.09	12.8	42	3.73	14.3
Catalan Republican Left	13	0.86	3.6	15	1.01	3.4
Ciudadanos	10	1.6	6.8	57	4.13	15.9
JxCat	8	0.52	2.2	7	0.49	1.9
Basque Nationalist Party	7	0.37	1.6	6	0.39	1.5
EH Bildu	5	0.27	1.1	4	0.25	1.0
Más País	3	0.50	2.1	–	–	–
CUP	2	0.24	1.0	–	–	–
Canary Islands Coalition	2	0.12	0.5	2	0.13	0.5
Other parties	5	0.30	0.9	–	–	–
Voter turnout (%)	69.9			75.75		

Source: Interior Ministry.

Sánchez had hoped Spain's fourth election would strengthen the Socialists, but they lost three seats, ending up with 120 in the 350-seat Congress, while UP obtained 35, down from 42 in April's election. Three of UP's seats were lost to a splinter party. There are now a record 16 parties in parliament, up from 13 after the last election.

Whether such a minority government will last the full four-year term is an open question. Sánchez admitted in September he would not be able to sleep at night if UP was part of his administration. One of the key points in the so far vague programme is an agreement to resolve the Catalan crisis 'always within the constitution'. Pablo Iglesias, UP's leader, supports a referendum on secession.

With 155 seats, 21 short of an absolute majority (11 after April's election), and Spaniards fed up with the long political deadlock (voter turnout was down to 69.9% from 75.7% in April), Sánchez rapidly resurrected the pact with Iglesias. The speed at which it was done led many Spaniards to ask why they were forced to return to the polls.

If sufficient support is garnered in the first or second investiture votes (absolute majority of MPs in the first and more 'yes' than 'no' votes in the second), Spain would no longer be the exception in the EU in not having a coalition government (apart from Malta) in the last 40 years. It would be the first such government in Spain since the 1930s during the Republic. For that to happen in the second vote it would require abstentions from pro-independence Catalan MPs.

These parties will not give their support free. Catalan Republican Left (ERC), with 13 seats in Congress, said after a meeting with senior Socialist officials it had not been persuaded to back Sanchez because it had been given no guarantee that the Socialists would 'abandon the repressive way' in Catalonia.

Nine secessionist leaders were sentenced last month to up to 13 years in prison for sedition for organising an illegal referendum on independence and unilaterally proclaiming a breakaway from Spain.

'PSOE and Unidas Podemos are the only two political organizations at a national level that are committed to dialogue within the constitution in order to resolve the political crisis in Catalonia', Sánchez said after ERC's statement. The right-wing bloc takes a much tougher stance.

VOX captured 15.1% of the vote compared with 10.3% in April's election and 0.2% and no seats in the 2016 legislative election. Spain is no longer an exception on the nativism front and has joined other European countries in having a significant far-right presence in parliament (see Figure 2). The party tapped into nationalism, fuelled by the Catalan independence conflict (the dominant issue in the campaign), fears that immigrants are taking jobs away from Spaniards and are proportionately responsible for most crimes (which is not true). Young voters who are bearing the brunt of the 2008 economic crisis (they are earning less than people their same age did 10 years ago) were attracted to the party.

Figure 2. Far-right and populist right parties represented in EU parliaments (% of votes in latest legislative elections)

	% of votes
Hungary	68
Poland	45
Italy	22
France (1)	21
Austria	16
Spain	15
Netherlands	15
Germany	13
Average of 24 countries	17

(1) First round of presidential election. Prepared by Jorge Galindo.

While Podemos was born out of what the sociologist Belén Barreiro, a former head of the state-funded CIS, calls 'social vulnerability', following the harsh years of recession, VOX grew out of 'identity vulnerability'.

The biggest loser in the election was Cs which slumped from 57 to 10 seats and led to the resignation of its leader Albert Rivera, who has left politics. He had set his sights on overtaking the PP (Cs won nine fewer seats and 200,000 fewer votes than the PP in April's election) and becoming the main party on the right, a disastrous strategy for a party that initially promoted itself as centrist and liberal and which could have agreed the reformist coalition government with the Socialists that Spain needs after April's election. The two parties held 180 seats then, an absolute majority, compared with 130 now, and after the first of the inconclusive elections in 2015 agreed a common programme, which did not gain sufficient support. As a result of Cs intransigence, Spain missed an historic opportunity.

The Socialists' electoral programme is likely to form the basis of the new government (see Figure 3). Nadia Calviño, the Economy Minister, will probably become one of three Deputy Prime Ministers (Iglesias will be another). A former Director General for budget at the European Commission, her continuation would send a positive signal to Brussels and Spain's business community that the government would not veer into unorthodox ground. A slowing economy, a high level of public debt (97% of GDP) and unemployment (14%) that has almost stopped falling limit the government's leeway. Iglesias seems to be aware of this and appealed to his supporters to 'give way in many things'.

Figure 3. Socialists' electoral programme

Taxes	End the 'anomaly of the slight tax contribution of large corporations as well as the financial sector and large technological companies'. Greater control of individuals with high net worth.
Salaries, pensions, jobs	Increase minimum wage until it reaches 60% of average salary. Pensions raised in 2020 in line with real CPI. Drive to reduce youth unemployment.
Labour rights, equality	Balanced gender representation on company boards to be achieved over four years.
Equal paternity and maternity rights	
Housing	Creation of accessible rental stock.
Catalonia, national unity	Promote a strong and cohesive Spain. Tackle Catalan conflict by constitutional means through dialogue.
Environment	Approve climate change law so that 74% of power comes from renewable sources by 2030, 100% by 2050.
Civil War legacy	Drive to exhume Civil War dead from mass graves. Removing remaining Franco-era symbols from public places. Declare 31 October day of remembrance for victims of Franco regime.

Source: prepared by Bloomberg from the PSOE programme.

Catalan Premier faces ban from public office

Catalan Premier Quim Torra, a hardline separatist, went on trial for disobeying an instruction from the National Electoral Commission to remove politically charged signs from public buildings. If found guilty he could be barred from public office, triggering an early election in the region.

The prosecution is seeking a 20-month ban on holding public office and a €30,000 fine for Torra's refusal to take down yellow ribbons, the symbol of support for 13 jailed secessionists, during May's European election campaign and a banner from the balcony of the seat of the Catalan government. The electoral authorities said the Catalan government must maintain neutrality during campaigns.

'I have many duties as a premier, and the first is to defend the rights and freedoms of the people', he said. 'I will never order the removal of a [yellow] ribbon or *estelada*. We are talking about censorship and the violation of rights. It was an act of censorship and I was not willing to allow it'.

Catalonia last held an election in December 2017, when the region was under direct rule from Madrid following an illegal referendum on independence and a unilateral declaration of secession. That led to the arrest of 13 independence leaders, nine of whom were sentenced to up to 13 years in prison last month for sedition.

The three pro-independence parties won 23 of the 350 seats in the national parliament in this month's general election, two more than in April. The anti-capitalist Popular Unity Candidacy (CUP) entered Congress for the first time with two seats (see Figure 4).

Catalan Republican Left, Junts per Catalunya and CUP obtained 1.64 million votes, while En Comú Podem, the Catalan ally of Unidos Podemos, which supports a referendum on independence but is not necessarily pro secession, obtained 546,722 votes. The Catalan Socialist Party (PSC), the Popular Party, Ciudadanos and the far-right VOX, all of whom are against independence, won 1.53 million votes. Voter turnout was 72.2%, down from 74.7% in April.

The pro-independence parties now have almost half of the 48 seats in Congress allotted to Catalonia.

Figure 4. Catalonia's results in the general election, November and April 2019

Seats won in national parliament	November	April
Catalan Republican Left	13	15
Catalan Socialist Party	12	12
Junts per Catalunya	8	7
En Comú Podem	7	7
Popular Party	2	1
Popular Unity Candidacy (CUP)	2	–
VOX	2	1
Ciudadanos	2	5

Source: Interior Ministry.

The violent protests in Catalonia in response to last month's sentencing of nine secessionist leaders have died down (600 people injured and €10 million of damage in five days), but there is no let-up in the push for independence.

Defying a warning from the Constitutional Court, the region's parliament, where pro-independence parties have a majority, approved on 12 November a non-binding motion expressing the will for self-determination. The Court suspended the motion put forward by the CUP.

In Brussels, a legal adviser at the European Court of Justice said it should fall to the European Parliament, and not to Spain, to decide whether Oriol Junqueras, one of the jailed secessionist leaders and former Deputy Premier of the Catalan regional government, can serve as a MEP. This was seen as a boost for the Catalan cause.

Maciej Szpunar, an advocate general, said since Junqueras has been elected to the EU Parliament, Spain cannot be allowed to suspend his mandate. Such legal opinions are not legally binding but are often followed by the court.

Junqueras was elected as a member of the European Parliament in May, but Spain's Supreme Court refused to allow him out of jail to take the oath that Spanish law requires, and his seat was declared vacant. He is serving a 13-year sentence.

Szpunar said that taking the Spanish oath was not a necessary step to becoming a MEP, and that he should therefore benefit from immunity.

Two other Catalan leaders –Carles Puigdemont, the former Premier, and Toni Comín– have also been barred from taking their seats at the European Parliament because they have not taken the oath. Both currently live in self-imposed exile in Belgium and are fighting extradition to Spain.

A Metroscopia poll conducted before the general election on 10 November gave a snapshot of the Catalan situation. Close to 80% of respondents thought the independence movement was in a 'bad moment' (see Figure 5), 64% believed independence was not possible in the near future (see Figure 6), 49% would vote in favour of secession if a legal referendum was held with the government's blessing (see Figure 7), only 42% would back independence if it meant leaving the EU and 46% would prefer to remain in Spain with increased powers if that option was included in a referendum (see Figure 9).

Figure 5. Do you believe the independence movement is in a good moment? (%)

	Jan 2017	March 2017	May 2017	April 2018	July 2019	Sept 2019
Bad moment	63	65	66	69	76	79
Good moment	33	27	28	25	19	17

Source: Metroscopia.

Figure 6. Do you believe independence will be possible in the near future or there is little chance of this? (%)

	1/IX/2013	1/V/2014	21/I/15	17/III/2017	28/VI/2018	13/IX/2019
No	63	59	56	57	59	64
Yes	33	33	39	40	35	31

Source: Metroscopia.

Figure 7. If a legal referendum is held on independence with the government's permission how would you vote? (%)

	1/XI/2013	23/X/2014	23/IX/2015	21/VI/2017	19/II/2018	12/IX/2019
In favour	46	44	49	46	52	49
Against	42	42	42	44	46	44

Source: Metroscopia.

Figure 8. If it is totally clear that independence would mean Catalonia automatically leaving the EU how would you vote?

	1/XI/2013	23/X/2014	29/X/2015	21/VI/2017	19/II/2018	12/IX/2009
In favour of remaining in Spain	48	49	50	50	58	51
In favour of independence	40	37	37	42	40	42

Source: Metroscopia.

Figure 9. If a referendum includes a third option of Catalonia remaining in Spain with increased powers how would you vote? (%)

	1/XI/2013	23/X/2014	29/X/2015	21/VI/2017	19/II/2018	12/IX/2019
Remain in Spain with increased powers	40	46	45	45	49	46
In favour of independence	31	29	26	30	27	32
In favour of staying in Spain with the same powers	17	17	20	18	20	17

Source: Metroscopia.

Spain second-worst in EU in ability to speak English

Spaniards would seem to be making little progress in improving their level of English, despite the existence of bilingual schools, according to the latest English proficiency Index (EPI) which ranks the country 35th out of 100 nations and the second-worst in the EU (see Figure 10).

Figure 10. English Proficiency Index (EPI), ranking of EU countries out of a total of 100 and scores

Ranking and score	Ranking and score
1. Netherlands (70.27)	16. Romania (61.36)
2. Sweden (68.74)	21. Lithuania (60.11)
4. Denmark (67.87)	22. Greece (59.87)
7. Finland (65.34)	23. Czech Republic (59.30)
8. Austria (64.11)	24. Bulgaria (58.97)
9. Luxembourg (64.03)	25. Slovakia (58.82)
10. Germany (63.77)	28. Estonia (58.29)
11. Poland (63.76)	31. France (57.25)
12. Portugal (63.14)	32. Latvia (56.85)
13. Belgium (63.09)	35. Spain (55.46)
14. Croatia (63.07)	36. Italy (55.31)
15. Hungary (61.86)	

Source: Education First, EPI 2019.

The EPI drawn up by the training company English First ranks countries whose native language is not English and based on tests.

Spain was ranked in the ‘moderate competency’ group of countries and was only above Italy.

The only region in Spain to score a ‘high proficiency’ level was the Basque Country, followed by Madrid, Navarre, Galicia and Catalonia. The weakest region was Extremadura.

Spain sixth ‘safest’ country in EU

Spain ranks on a par with the Netherlands and Germany as the sixth safest country in the EU and the 19th in the world, according to Gallup’s latest Global Law and Order Index (see Figure 11).

Figure 11. Global Law and Order Index

Ranking out of 80 countries	Score out of 100
1. Singapore	97
19. Spain	88
20. Germany	88
25. UK	86
29. France	85
44. US	83
52. Italy	81

Source: Gallup.

The index is based on four questions to gauge people's sense of personal security and their personal experiences with crime and law enforcement:

- In the city or area where you live, do you have confidence in the local police force?
- Do you feel safe walking alone at night in the city or area where you live?
- Within the last 12 months, have you had money or property stolen from you or another household member?
- Within the past 12 months, have you been assaulted or mugged?

The economy

Tax burden rises but still below 2007 peak

Spain's tax revenue including social contributions rose to 35.4% of GDP last year from 33.4% in 2017, but was still well below the EU average of 40.3% and 1.9 pp below the peak of 37.3% in 2007 at the height of a booming economy before it went into recession (see Figure 12).

Figure 12. Tax revenue-to-GDP ratio (including social security contributions), 2007 and 2018 (%)

	2007	2018
France	44.5	48.7
Germany	39.3	41.5
Italy	41.5	42.0
Spain	37.3	35.4
UK	35.0	35.1
EU average	39.2	40.3

Source: Eurostat.

A significant chunk of Spain's tax revenue comes from the construction and related sectors, particularly the building of homes. Housing starts in 2006 numbered 865,000 – more than Germany, France and the UK combined– and plummeted to 34,288 in 2013, since then they have recovered somewhat.

European Commission confirms slowdown in economy

The economy is forecast to grow by less than 2% this year for the first time since 2015, while unemployment will remain in double-digit figures until 2021, public debt will barely decline and the current account will continue to generate a surplus (see Figure 13).

Growth, however, will continue to outpace the euro zone average.

Figure 13. European Commission's economic forecasts for Spain, 2019-21

	2018	2019	2020	2021
GDP growth (% , YoY)	2.4	1.9	1.5	1.4
Inflation (% , YoY)	1.7	0.9	1.1	1.4
Unemployment (%)	15.3	13.9	13.3	12.8
Public fiscal balance (% of GDP)	-2.5	-2.3	-2.2	-2.1
Gross public debt (% of GDP)	97.6	96.7	96.6	96.0
Current account balance (% of GDP)	1.9	2.4	2.5	2.6

Source: European Commission.