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Summary

Bolivia expels two Spanish diplomats.

Coalition government finally and narrowly formed in face of virulent opposition.

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Population tops 47 million due to immigrants.

Spain surges up the Global Gender Gap Index.

Government seeks less demanding fiscal deficit with Brussels.

Foreign Policy

Bolivia expels two Spanish diplomats

Bolivia expelled two diplomats who met associates of Bolivia's former President Evo Morales in the residence of the Mexican Ambassador in La Paz. Spain reciprocated the move.

Cristina Borreguero, the Chargé d'Affaires, and Álvaro Fernández, the Consul, paid what was termed a courtesy visit to the Mexican Embassy, but the Bolivian government said there was an ulterior 'hostile' motive. The Mexican Ambassador was also expelled.

Mexico gave Morales asylum after he fled Bolivia following his disputed re-election. He has since moved to Argentina. Among the nine people who have sought refuge in the Mexican Embassy in La Paz is former Interior Minister Juan Ramón Quintana, who is accused of sedition and terrorism.

Spain's Foreign Ministry denied there was 'any aim to facilitate the exit of people holed up inside the building'.

Domestic scene

Coalition government finally and narrowly formed in face of virulent opposition

Pedro Sánchez, the Socialist caretaker Prime Minister, ended eight months of political deadlock, following two inconclusive elections, when he managed to form by a hair's breadth the first coalition government since the Second Republic in the 1930s with the radical-left Unidas Podemos (UP).

He won the second investiture vote when only a simple majority was required by 167 votes to 165, with 18 abstentions (see Figure 1). Judging by the ill-tempered debate the new and even more fragmented parliament, with 19 parties represented, will be the most fractious since democracy was restored some 40 years ago. Among the new parties in parliament, with one seat, was Teruel Existe, a movement formed 20 years ago to bring the province's abandonment to national attention. Teruel forms part of the so called *España vacía*: it lacks a direct rail link to Madrid, some of its villages are virtually deserted and there are just nine people for each of the province's square kilometres. The party's vote in favour of the coalition government was vital.

Figure 1. The investiture of Pedro Sánchez, yes and no votes and abstentions, and seats of each party in Congress

167 YES votes	165 NO votes	Abstentions
Socialists (120)	Popular Party (88)	Republican Left of Catalonia (13)
Unidas Podemos (35)	VOX (52)	Bildu (5)
Basque Nationalist Party (6)	Ciudadanos (10)	
Más País (2)	Junts per Catalunya (8)	
Compromís (1)	CUP (2)	
Teruel Existe (1)	Navarra Suma (2)	
Nueva Canarias (1)	Regionalist Party of Cantabria (1)	
Galician Nationalist Bloque (1)	Foro Asturias (1)	
	Canaries Coalition (1)	

Source: Congress of Deputies.

The three conservative parties, the Popular Party (PP), Ciudadanos and the far-right VOX, which doubled its number of seats in the November election to 52 out of a total of 350, called Sánchez's administration a 'Frankenstein government' because it owed its formation mainly to the abstention of Republican Left of Catalonia (ERC), the largest party in favour of Catalan independence, in return for open-ended talks on the Catalan conflict.¹

¹ For much more detail on what the new government faces see William Chislett (2020), 'Quo vadis, Spain', ARI, nr 05/2020, Elcano Royal Institute, http://www.realinstitutoelcano.org/wps/portal/rielcano_en/contenido?WCM_GLOBAL_CONTEXT=/elcano/elcano_in/zonas_in/ari5-2020-chislett-quo-vadis-spain.

The right harangued Sánchez for being beholden to Catalan separatists: Pablo Casado, the PP leader, accused Sánchez of being a ‘Trojan horse [being used] to destroy the state’.

UP has five of the 23 cabinet seats. Pablo Iglesias, Podemos’ leader, is one of four Deputy Prime Ministers, responsible for social rights and the 2030 Agenda, and Alberto Garzón, the leader of United Left (part of UP) is Minister of Consumer Affairs. The coalition’s programme includes the following proposals:

- Income tax for those earning more than €130,000 a year to rise by two percentage points, and by four for those who earn above €300,000. Capital gains tax to increase from 23% to 27% for over €400,000. New minimum corporate tax rate of 15% and 18% for banks and energy utilities. A separate tax will target stock market transactions.
- Lift the minimum wage to 60% of the average national wage by the end of the government’s four-year term, from around 45% now.
- Continue to reduce the fiscal deficit and public debt.
- Protect health, education, security and social support from privatisation.
- Open a dialogue on the future of Catalonia, with a popular vote in the region, although any negotiations must abide by the 1978 constitution, which upholds Spain’s territorial integrity.
- Roll back the PP’s labour market reform, which gives priority to company-level bargaining over sectoral agreements.
- Introduce a price index to limit abusive renting practices and strengthen the role of the state-owned bank Sareb in subsidised housing.
- Eliminate the gender pay-gap.
- Declare 31 October a remembrance day for all victims of Franco’s 1939-75 dictatorship.

The formation of the coalition government left Malta as the only EU country not to have such an administration in the last 40 years. At the regional level, however, 13 of Spain’s 17 autonomous communities are governed by coalitions (see Figure 2).

Figure 2. Coalitions in Spain's regional governments

Region	Main party	Others	Others	Others
Cantabria	PRC	Socialists		
Castilla y León	Popular Party	Ciudadanos		
Basque Country	PNV	Socialists		
Navarra	Socialists	Geroa Bai	Podemos	
La Rioja	Socialists	Podemos		
Aragón	Socialists	Podemos	PAR	Chunta
Catalonia	Junts per Catalunya	ERC		
Valencia	Socialists	Compromís	Podemos	
Murcia	Popular Party	Ciudadanos		
Andalucía	Popular Party	Ciudadanos		
Madrid	Popular Party	Ciudadanos		
Balearic Islands	Socialists	Podemos	Més	
Canary Islands	Ciudadanos	Nuevas Canarias	Sí Podemos	ASG

PRC = Regionalist Party of Cantabria; PNV = Basque Nationalist Party; ERC = Republican Left of Catalonia; ASG = Agrupación Socialista Gomera.

Source: *El País*.

Supreme Court calls for EU Parliament to withdraw immunity of Catalan separatist MEPs

The Catalan independence conflict is becoming more internationalised, as a result of Spain's Supreme Court formally asking the European Parliament to strip fugitive Catalan separatist Carles Puigdemont, the former Catalan Premier, and an associate of their immunity as MEPs.

Puigdemont and Toni Comín fled to Belgium in the autumn of 2017 after an illegal referendum was held on secession and the regional parliament unilaterally declared independence. They are wanted by the Spanish authorities. Nine of their associates are serving jail sentences.

The two were elected to the European Parliament last May but did not take up their seats because they did not make the required appearance before the Electoral Board in Madrid for fear of detention.

In December the European Court of Justice (ECJ) ruled that MEPs have the right to immunity from the moment they are elected, enabling them to take up their seats earlier this month.

Spain's far-right VOX waded into the controversy and announced it would sue the European Parliament for recognising Puigdemont and Comín as MEPs.

The ECJ ruling also affected Oriol Junqueras, the leader of Catalan Republican Left, the largest pro-Catalan independence party and Puigdemont's former deputy, who was sentenced last October to 13 years in jail for sedition and misappropriation of public funds for his role in the secession push. He was also elected, while his trial was proceeding, to the European Parliament.

The ECJ said that if Spanish courts had wanted to keep Junqueras in detention to prevent him from travelling to the European Parliament for his inauguration, they should have requested that Parliament waive his immunity. However, the court said Spain's Supreme Court should decide how to apply the ruling given that Junqueras' status had since changed from that of suspect to convicted felon. Not surprisingly, the Supreme Court ruled against setting Junqueras free. 'He who participates in an election campaign while already on trial, even if eventually elected, does not enjoy immunity from national law', the court ruling said.

In a further twist to the Catalan crisis, Puigdemont's successor as Premier of Catalonia, the ultra-nationalist Quim Torra, said that if the Supreme Court upholds a ruling barring him from public office and the region's parliament abides by it he would call an early election.

A regional court found Torra guilty in December of disobedience for refusing to remove pro-independence banners from public buildings during an election campaign, violating regulations on political neutrality.

Spain's Central Electoral Board (JEC) stripped Torra of his credentials as a member of the Catalan parliament, a decision he called 'a new, serious and unacceptable violation of the sovereignty of the Catalan parliament' and refuses to obey.

The Catalan parliament, narrowly controlled by a pro-independence majority, approved a motion calling the JEC's decision a 'coup'.

Population tops 47 million due to immigrants

The population exceeded 47 million last July, solely due to the rise in the foreign community as the number of Spaniards declined.

The total number of foreigners rose by 183,073 to just over five million (see Figure 3). The number of Venezuelans increased by 24,238 in the first six months of last year, most of them fleeing the country's authoritarian government and economic crisis.

Figure 3. Resident foreign population by the top-10 countries or origin, 1 July and 1 January 2019

	1 July	1 January	Variation
Morocco	734,402	713,776	+20,627
Romania	669,222	670,186	-964
UK	295,067	286,753	+8,314
Italy	256,269	243,748	+12,522
Colombia	227,102	199,182	+27,920
China	193,207	190,600	+2,607
Venezuela	158,218	133,980	+24,238
Germany	139,201	138,321	+880
Ecuador	133,201	134,853	-1,651
Bulgaria	123,403	123,335	+68
Other	2,093,987	2,005,473	+180,885
Total	5,023,279	4,840,207	+183,073

Source: INE.

The number of immigrants (348,625, 21.8% more than in the first half of 2018) exceeded those who emigrated (139,528, 17.5% fewer) by 209,097, the highest net balance in a six-month period since the series began in 2008. Of the 348,625 immigrants, 309,874 were foreigners and the rest Spaniards, while 104,196 of the 139,528 emigrants were foreigners.

Spain surges up the Global Gender Gap Index

Spain is advancing considerably in gender parity. The World Economic Forum's 2020 Global Gender Gap Index ranks it 8th out of 153 countries, up 21 places since the last index in 2018 (see Figure 4). Only Mexico, Slovenia, Georgia and Ethiopia rose more.

Figure 4. 2020 Global Gender Gap Index rankings and scores

	Score 0-1
1. Iceland	0.877
6. New Zealand	0.799
8. Spain	0.795
10. Germany	0.787
15. France	0.781
21. UK	0.767
25. Mexico	0.754
76. Italy	0.707
153. Yemen	0.494

Source: World Economic Forum.

The index benchmarks national gender gaps on economic, education, health and political criteria.

Spain's rise is largely due to the nomination in 2018 of the world's most female-centric government, with 65% of ministers being women and a significant increase in the number of women in parliament (47.4% compared with 42.6% men). It is one of the only 10 governments in the world where women account for more than 50% of ministers. This is still the case in the new government formed this month.

Spain improved in all four dimensions, except for health and survival, where it has already closed 97.2% of its gap, but it has yet to bridge large gaps in wages and in the presence of women in managerial positions. Labour participation of women is also still below that of men, showing there are still strong cultural and business practices barriers to grant women the same opportunities as men.

In stark contrast, the number of women who died in 2019 as a result of gender-based violence (55) was the highest since 2008 (76).

The economy

Government seeks less demanding fiscal deficit with Brussels

The lack of a functioning government for most of last year has landed the new coalition administration with a host of decisions to take, and at a time when unemployment (14%) remains stubbornly high in a slowing economy. The IMF forecasts growth at 1.6% this year, down from 2% in 2019, the slowest since 2014 but still above the euro zone average.

The priority will be to draw up and get parliamentary approval for a 2020 budget. The 2018 budget had to be rolled over last year, making 2019 a wasted year in fiscal consolidation, and again in January 2020 until a new one is approved. The European Commission forecasts the 2019 deficit at 2.3%, much higher than the 1.3% agreed by the previous Popular Party (PP) government with Brussels.

The high fiscal deficit and the level of public debt (close to 100% of GDP) leave the government with little leeway in fiscal policy. Not surprisingly, it wants to negotiate a new deficit target with Brussels for 2020, well above the PP's 0.5%. Without it, the government will not be able to meet his spending promises.

Spain was finally released last June from the European Commission's excessive deficit procedure, as the 2018 fiscal deficit came in, for the first time in a decade, at below the EU threshold of 3% of GDP. The deficit had peaked at a whopping 11% in 2009.

The continued presence in the government of Nadia Calviño, a former Director General of budget at the European Commission, as Economy Minister, has sent a positive signal to Brussels that fiscal matters are in a safe pair of hands. Calviño is now one of four deputy prime ministers.

Approval of the 2020 budget requires the support of Catalan Republican Left (ERC), the pro-Catalan independence party, which backed the formation of the coalition between the Socialists and Unidas Podemos in return for talks on resolving the Catalan conflict. Oriol Junqueras, ERC's leader jailed for 13 years for his role in holding an illegal referendum on secession and a unilateral declaration of independence, has already made it clear that support will depend on the progress made in the talks.

It was the ERC's refusal to back the 2019 budget presented last February by the minority Socialist government that triggered a snap election in April, as it voted against it with the Popular Party and Ciudadanos.

One continued bright spot is tourism: the number of visitors last year was a record 83.7 million.

Madrid surpasses Catalonia as the economy's main driver

Madrid became the main motor of the economy in 2018 when it overtook Catalonia, although not by much, according to revised figures by the National Statistics Office (INE). The respective GDPs were €230.8 billion and €228.7 billion (see Figure 5).

Catalonia suffered more than Madrid during Spain's recession following the collapse of the property sector as of 2008 and the global financial crisis, although its economy grew more strongly than Spain as a whole during the recovery.

Figure 5. GDP by regions, 2018 (billions of current euros)

	€ billion	% of total GDP
Andalucía	160.6	13.4
Aragón	37.0	3.0
Asturias	23.3	1.9
Balearic Islands	32.5	2.7
Basque Country	72.2	6.0
Canary Islands	45.7	3.8
Cantabria	13.8	1.1
Castilla y León	57.9	4.8
Castilla-La Mancha	41.3	3.4
Catalonia	228.7	18.9
Extremadura	20.0	1.7
Galicia	62.6	5.2
Madrid	230.8	19.2
Murcia	31.4	2.6
Navarre	20.2	1.7
La Rioja	8.5	0.7
Valencia	111.0	9.2
Spain (1)	1,202.2	

(1) Including the North African enclaves of Ceuta and Melilla.

Source: INE.

The GDP figures highlighted the gulf between the regions, with Asturias, Cantabria, Extremadura, Navarre and La Rioja accounting for less than 2% each of Spain's GDP.

León votes to break away from region of Castilla y León

The city council of Leon and some towns across the province voted to no longer form part of the region of Castilla y León, created in 1983 under Spain's process of devolution.

José Antonio Díez, the Socialist mayor of León, said the region comprising nine provinces was 'fictitious'. He said the drive for a new Leonese region had nothing whatsoever in common with the push for independence in Catalonia.

The region's population is 2.4 million, of which some 500,000 people live in the province of León, which has a fast ageing population. It is one of the main areas of what is called *la España vacía* (empty Spain), in reference to its low population density, or *la España vaciada* (emptied-out Spain), in reference to the large number of people who moved to other parts of Spain.

Unlike the Basque Country, Catalonia and Andalucía, there was no referendum on the formation of the Castilla y León region, said to be the largest in the EU in terms of territory but with a tiny population compared with much smaller regions in Spain.

Its creation apparently reflected the desire of the post-Franco authorities to ensure a 'larger Castile' to act as a counterweight to the 'historic' regions of Catalonia, the Basque Country and Galicia and their possible wishes to split from Spain.

CO2 emissions from electricity generation down 33%

The virtual ending of coal in 2019 to produce electricity resulted in a 33% fall in carbon dioxide emissions, one of the primary greenhouse gases.

Unprofitable coal mines worked their last shifts at the end of 2018 under an EU directive in which deposits that no longer made money and received public funds had to stop production by 1 January 2019. As a result, 26 uncompetitive mines closed.

Coal accounted for less than 5% of Spain's energy needs last year.