



## COUNTRY'S FALL FROM GRACE IS GREATLY EXAGGERATED

### Guest Column

(This article was originally published on 12 June 2012 in [Financial Times Special Report](#)).

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'Exporters could do with more official help' – William Chislett

Richard Boucher, deputy secretary-general of the Organisation for Economic Co-operation and Development (OECD), hit a raw nerve in April when he told a conference in Marseille of the Nato Parliamentary Assembly: "Nobody wants to be like Spain today", because: "It is only good for flamenco and red wine."

In the audience was Diego López Garrido, Spain's secretary of state for the EU in the former Socialist government, who demanded Boucher retract the remarks. José Manuel García-Margallo, foreign minister in the conservative Popular Party government, complained about the "intolerable" words, and got an apology.

The incident highlighted the extent to which Spain's image has deteriorated since its deep crisis in 2008. During its 14-year economic boom it was lauded for creating almost a quarter of the total new jobs in the euro zone, but now has 5.6m unemployed – almost a third of the zone's total.

Too much of the success was due, literally, to sand (the construction and tourism sectors), and not knowledge. The blame lies mainly with a myopic political class. There are still 700,000 new, finished unsold homes and many white elephants, including the €1.1bn airport at Ciudad Real, which has one of Europe's longest runways. It operated for less than two years, almost exclusively with traffic of private jets bringing wealthy hunting parties.

The Spain brand has taken a nosedive. This is most evident in the Madrid stock market – one of the world's worst performers this year – and in the rise in the risk premium on 10- year government bonds over Germany's benchmark bonds to above 550 basis points, at times, from an average of 8 basis points in 2007.

Nevertheless, Spain's fall from grace is exaggerated. The image is out of sync with reality, yet the perception, for many, is the reality.

The country has many positive elements, including about 20 multinationals with leading positions in the global economy – far more than Italy, for example. The Ibex 35 companies collectively generated 60 per cent of their revenues abroad last year – up from 57 per cent in 2010. The latest global presence index of the



Elcano Royal Institute, the Madrid-based think tank, using objective criteria, puts Spain in 11<sup>th</sup> place in the world: unchanged for a decade.

Governments since the end of the Franco dictatorship in 1975 have successfully “sold” abroad the idea of the smooth transition to democracy, but little of other changes that have taken place. As a result, the old stereotypes of a country of fiesta and siesta have re-emerged with a vengeance.

José Luis Rodríguez Zapatero, who was prime minister from 2004 to 2011, aimed to correct the negative image by creating a public diplomacy commission in 2009 – along the lines of other countries that successfully rebranded such as the UK and Germany – but it failed to take off.

One problem is that Spain needs to speak with one voice. However, its 17 autonomous regions pull in different directions and create confusion abroad.

Several years ago, the government of Castilla and León (known in Spanish as the Junta de Castilla y León), sent a trade mission to New York. As it omitted to mention Spain on its promotional literature, many people mistook the word “Junta” for a Latin American military government.

“What is needed is a coordinated and non-partisan approach by the public and private sectors, which would regenerate Spain internally and not just externally,” says Emilio Lamo de Espinosa, the president of Elcano. It is setting up a Spain brand observatory.

García-Margallo is making Spain’s diplomacy more commercially focused, and promoting the Spain brand. Given the depressed state of the country’s economy, this overdue initiative makes a lot of sense. Exporters could certainly do with more official help: 47 of Spain’s 118 embassies and 80 consulates do not have a commercial section.

It will not be easy for Spain to change its image and improve the brand. The country is viewed in surveys as “hot” (creative, passionate and not very serious), as opposed to “cold” (efficient, rigorous and serious) like Germany and the UK. The “hot” image benefits the stillflourishing tourism industry but not other parts of the economy, and the way the country is perceived abroad.

Chile was so determined to impress upon the world its “coldness” that it shipped a 60-tonne iceberg to Seville in 1992, and made it the centrepiece of its World’s Fair pavilion. Spain does not have to go to such extremes but it needs to be more proactive.

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