

Spain moves towards fresh elections to break deadlock

William Chislett | Associate Analyst at the Elcano Royal Institute | @WilliamChislet3

Spain took a step toward fresh elections when **Pedro Sánchez**, the Socialist Party (PSOE) leader, twice failed to secure sufficient backing in Parliament to become Prime Minister. **If no political leader obtains the required support by 2 May King Felipe will dissolve Parliament and call a new ballot**, probably to be held on 26 June, which could produce another stalemate.



The Socialists' bid came after **Mariano Rajoy**, the incumbent Prime Minister whose Popular Party (PP) won 123 of the 350 seats in Parliament, turned down the King's invitation for him to try to form a new government because of lack of support. The King then turned to Sánchez but he only won 130 votes (those of his party –90– and the 40 of the centrist Ciudadanos) at the first investiture last week and 131 at the second one, far from a governing majority (176 seats). The other vote came from a regional party in the Canary Islands.

Both the PP and the anti-austerity Podemos (the other upstart party along with Ciudadanos and in Parliament for the first time with 69 seats) **voted against Sánchez**. Rajoy said the economic programme agreed between the Socialists and Ciudadanos would undo the PP's work over the last four years –which has turned a deep recession into a mild recovery– while Pablo Iglesias, the leader of Podemos, said it was not sufficiently radically transformative and that Sánchez had to choose between him or Albert Rivera, the head of Ciudadanos.

“Socialists held out against Ciudadanos' call for the introduction of a single open-ended contract to address Spain's deep labour-market duality”

Sánchez put the programme to the vote of Socialist Party members, 79% of whom supported it. This move strengthened Sánchez's position within the party which had been questioned by some regional party 'barons'.

There was some unease, however, over the agreement with Ciudadanos to eliminate the **diputaciones provinciales** (provincial councils), 18 of which are controlled by Socialists. These have become the sources of a lot of corruption, nepotism and patronage among political parties and are a costly layer of administration in addition to central, regional and municipal governments.

Their elimination was one of Ciudadanos' demands. While the Socialists ceded on this point, they held out against Ciudadanos' call for the introduction of a **single open-ended contract** (the so-called equal opportunities contract) to address Spain's deep labour-

market duality (between insiders on permanent contracts and outsiders on temporary contracts). Under this, temporary contracts would be abolished, with the exception of replacement contracts for maternity or sickness/disability leave. Severance payments would increase with seniority, instead of having the same indemnity per year of service applying from the start of the contract.

As the party with the most seats, Rajoy is adamant the PP will not back a government in which it is not involved, or abstain so that one can be formed. The fierce debates in Parliament prior to the two investiture votes underscored the gulf between, on the one hand, the PP and the other three parties and, on the other, between Podemos and the Socialists.

“Rajoy is adamant the PP will not back a government in which it is not involved, or abstain so that one can be formed”

The PP is awash in corruption scandals, giving it little credibility to finally get to grips with this toxic issue that is high on the agendas of the other three parties and making it an unpopular partner for its rivals.

According to a [Metroscopia](#) survey after the debates, **half of the respondents who identified themselves as Podemos voters said the party should have backed Sánchez**. Whether this leads Iglesias to soften his stance toward the Socialists over the next two months remains to be seen. His strategy appears to be twofold: by denying support, he hopes to extract more concessions from the Socialists before a fresh election is called, and in the event of a new ballot –which many observers believe is what he really wants– seek to displace the Socialists as the main leftist party.

Close to 40% of respondents said Ciudadanos was the party that was most facilitating an end to the political deadlock and Podemos the most obstructive (38%). **Eighty per cent of respondents said Rajoy should step down** as the PP leader and allow someone else to try to form a new government. The PP hierarchy, however, is solidly united behind Rajoy: no one is publicly challenging his leadership.

The Socialists and Ciudadanos cemented their deal after Sánchez’s failure to become Prime Minister by agreeing to negotiate together any deal with the PP or Podemos. Rajoy could take the 66-page joint programme of the Socialists and Ciudadanos and negotiate it with them point by point.

“A major sticking point between all parties and Podemos continues to be that party’s insistence on a referendum on independence for Catalonia”

There is more in common economically and on the shape of the Spanish state between the PP, the Socialists and Ciudadanos than between Podemos and the latter two parties, leading some analysts to still hold out for a grand coalition between the PP, the Socialists and Ciudadanos. One obstacle here is the Socialists’ and Ciudadanos’ accord to ask the European Commission for another year to meet the benchmark budget **deficit** target of 3% of GDP. Last year’s deficit was around 5%, failing yet again to meet the Commission’s target.

A major sticking point between all parties and Podemos continues to be that party's insistence on a referendum on independence for Catalonia: an issue on which Podemos' Catalan allies (with 12 seats in parliament) show no signs of relenting.

The Socialists intimated that they could withdraw their support for Podemos in municipal governments governed by that party, such as Madrid and Barcelona, the two largest cities, as a weapon to win its backing at the national level.

This could produce an agreement for a government that would be in office for some two years, during which it would reform the constitution, depoliticise the judiciary and some institutions and then hold a new election.

This would be the best option as by the time of that election, the results might not be roughly similar to those at last December's ballot which is what polls suggest will happen if an election is held in June, thus prolonging the deadlock.