

## A look at the future of relations between Spain and China

**Mario Esteban** | Senior analyst, Elcano Royal Institute | @wizma 

### Theme

Fifty years on from the establishment of diplomatic relations between Spain and the People's Republic of China, this analysis examines the main features of the evolution of bilateral relations during the period and reflects on their current status and potential scenarios going forward.

### Summary

After an uncertain start, ties between Spain and China have intensified substantially since the second half of the 1980s, particularly in the 21<sup>st</sup> century. However, the deepening of economic and cultural ties with China has been less pronounced in Spain than in other neighbouring countries, despite the fact that for over three decades Spain's strategy on China has been defined by the principle that maximising bilateral relations is positive in its own right. China's resurgence as a major power has created a more asymmetric relationship with Spain, tipping the balance in favour of the former and entering into conflict with Spanish values and interests in certain areas. The Spanish authorities, working with key European allies and the US, have adopted a more selective attitude towards bilateral relations. This has resulted in Spain losing some of its specific weight in China's policy on Europe, although generally speaking it has been possible to maintain good relations between the authorities in both countries. While it may seem desirable for Spain and China to strengthen relations as part of effective multilateral cooperation to address the main challenges on the global agenda in line with the current international rulebook, this does not appear to be the most likely outlook. The evidence suggests that any substantial shift in bilateral relations is more likely to see a deterioration, driven by the growing wedge between the two countries on geopolitical issues and the intensification and politicisation of public debate in Spain when it comes to ties with Beijing, mirroring the dynamic in neighbouring countries.

### Analysis

On 9 March 1973, Francoist Spain and Maoist China established official diplomatic relations as part of a major international process that saw the People's Republic of China internationally recognised, following its admission to the United Nations in October 1971. The spectacular development of both countries over the ensuing decades has contributed to stronger and more dynamic relations between them. One of the most striking features has been China's resurgence and its growing international influence, which has made Spain's relations with Beijing more important than could have been imagined in 1973. In this context, this analysis uses the 50<sup>th</sup> anniversary of the

establishment of ties to take stock of the bilateral relationship, identify the key challenges it currently faces and explore scenarios for its future evolution.

### The establishment and development of bilateral relations

The opening of official diplomatic relations between Madrid and Beijing was an [act of \*realpolitik\*](#) on the part of both regimes, showing a willingness to put their ideological differences to one side in pursuit of integration into the international community. In the case of Spain, this meant following the path of the majority of Western European countries and establishing diplomatic channels with a member of the United Nations Security Council, potentially of relevance for the regime's continuity. For Beijing, it was a diplomatic triumph in the battle with the Republic of China for recognition as the sole legitimate Chinese government. Even though Spanish diplomacy was aware of the People's Republic of China's economic potential, the leaders of both countries understood this diplomatic milestone to be an end in itself. It is thus unsurprising that relations largely remained in a state of hibernation over the years that followed.

The democratisation of Spain and its full integration into the political, economic and military structures of the West, together with the liberalisation and internationalisation of the Chinese economy, sowed the seeds for an intensification of the bilateral agenda. Under Prime Minister Felipe González (1982-96), Madrid made new efforts to inject fresh life into the relationship, laying the foundations for a Spanish strategy on China that would last for over 30 years. The approach can be summarised as maintaining good political relations in order to capitalise on the economic opportunities created by the Chinese economy's vertiginous growth. This translated into a discrete and patient approach to raising human rights issues with the Chinese government, [with Spain striking a much less assertive tone than other European states](#). For instance, after the repression of the student movement at Tiananmen, Spain did not suspend economic cooperation with China and was the first country in the European Economic Community to send its Minister of Foreign Affairs and head of State to Beijing.

However, Spain's strategy should not merely be viewed as an instrumental approach designed to maximise its economic interests at all costs. Instead, it must be viewed in terms of the conviction that China's interaction with the West would result in a more plural and open country. This analysis reflected the thinking of the two main political parties in Spain –the Spanish Socialist Workers' Party (PSOE) and the conservative People's Party (PP)– in terms of how the country's reopening to the outside world had softened the Francoist regime and the benefits of a democratisation agreed with the outgoing elites. Deepening ties with China was seen as a way to favour the more reformist sectors of the Chinese Communist Party, while isolation and confrontation with the West would have a beneficial effect on the more reactionary sectors.

The central role of China in Spain's foreign policy towards the [Asia-Pacific](#) region was cemented under the second government of José María Aznar (2000-04). While the economic dimension remained at the heart of relations, the cultural dimension began to grow stronger. The gradual intensification of economic, political and cultural ties between Spain and China, together with a generalised climate of rapprochement between China and Europe, crystallised in the signing of a bilateral Comprehensive Strategic

Association on 14 November 2005. This was in line with the Strategic Partnership signed between China and the EU in 2003 and nominally put relations between Beijing and Madrid on the same footing as those with Germany, France and the UK, giving rise to a raft of agreements spanning multiple sectors.

Yet it was during the term in office of Prime Minister José Luis Rodríguez Zapatero (2004-11), who made more trips to China than all his predecessors, that bilateral relations reached an all-time high. China's growing economic might translated not only into record trade figures but also into major investment in Spain, which became particularly important at the height of the Eurozone crisis, when China became Spain's [second-largest international creditor](#), buying up significant amounts of Spanish public debt. Nonetheless, trade figures and bilateral productive investment with China have always been lower than Spain's neighbours, largely due to the smaller scale and technological footprint of Spanish companies, their limited experience of internationalisation, a preference for geographic and cultural proximity, restrictions on Chinese investment in sectors in which Spanish companies have a strong presence (eg, banking, telecommunications and infrastructure) and the limited awareness of China in Spain. This had led to China valuing Spain more as a political partner than an economic one, particularly within the EU and the Ibero-American space, reflecting the country's capacity to adopt its own positions, which are often less confrontational towards China than other Western European countries. It even led Wen Jiabao, the Chinese Premier at the time and his Vice-premier Li Keqiang to describe [their country's strategic association with Spain as its most important in Europe](#), in January 2009 and February 2011, respectively. Similarly, the Spanish government sought to raise the prospect of lifting the EU's arms embargo on China during its rotating presidency of the Council of the EU in the first half of 2010.

The governments of Mariano Rajoy (2011-18) maintained the traditional emphasis on the potential for economic ties with China through good political relations. This was shown by the discrete management of the diplomatic crisis triggered by the international arrest warrant signed in February 2014 by a Spanish judge against five formerly high-ranking Chinese nationals, including former President Jiang Zemin, for their role in the alleged Tibetan genocide. The agenda for Rajoy's visit to China in September that year was primarily economic in nature and the trip resulted in trade agreements worth €3.2 billion, presenting the recovery of the Spanish economy as an opportunity for Chinese investors. Similarly, in April 2015, Spain became a founding partner of the Asian Infrastructure Investment Bank, promoted by China, and Prime Minister Rajoy visited Beijing for the first Belt and Road Forum for International Cooperation in May 2017. These last events, in addition to Rajoy's visit to China to attend the G20 summit in September 2016 also showed how Beijing's growing weight in global governance and the provision of global public goods had raised the profile of multilateral issues in the bilateral Spanish-Chinese agenda. In this respect, China's presence has grown in traditional spaces for Spanish external action, particularly Latin America, where China has competed with the EU to become the second-biggest actor from outside the region.

### A more nuanced and selective strategy

Although ties between the two countries have continued to see significant growth in multiple areas, including trade (Spanish exports to China almost doubled between 2011 and 2018 to reach €6.278 billion), the bilateral relationship has slipped down the two countries' foreign policy agendas. For Spain, Chinese investment has lost the lustre it enjoyed during the darkest days of the Eurozone crisis. In parallel, Beijing has found other EU countries, notably Greece and Hungary, which occupy positions closer to its own on issues such as the creation of sub-regional forums between Beijing and different parts of Europe, the South China Sea and human rights in China. Furthermore, the government of Pedro Sánchez (2018-) refused to sign a memorandum of understanding on the Belt and Road Initiative during Xi Jinping's visit to Madrid in November 2018 (neighbouring Portugal and Italy did so in November 2018 and March 2019, respectively). The refusal reflected a reappraisal of Spanish-Chinese relations, which began towards the end of the Rajoy era, in contact with Spain's main European and transatlantic partners, and resulted in a more nuanced and selective approach to ties with China. All this has ushered in an era in which Spanish-Chinese relations will be increasingly influenced by geopolitical considerations and third parties, primarily the EU and the US.

China's transition from a developing country to a major power is failing to live up to the expectations of politicians and the business community in Spain, which have adopted a largely uncritical stance towards Beijing. Above all, this reflects a desire to maximise the economic advantages of China's development and the desire to see it form part of the institutions, norms and values that constitute the backbone of the current international order. The growing asymmetry as bilateral relations tilt in favour of China, together with various political changes inside the country, make it increasingly important to address issues such as access to the Chinese market, discrimination against foreign companies, unfair competition, coercive diplomacy and upholding a predictable multilateral rules-based order. The implications are becoming increasingly clear for Spain in multiple areas, including the economy, geopolitics and security.

This concern was voiced by the European institutions and a number of Spain's key EU partners, including Germany and France, and Spanish diplomacy played an active role in the debates leading up to a [new strategic vision of the EU towards China](#) in March 2019. Spain shares the three-dimensional vision of this strategy, which defines China as a partner, competitor and rival, and believes increasing European coordination is essential for achieving a more balanced relationship with China. [For the Sánchez government](#), China is an attractive and important economic partner. The country also has an important role to play when it comes to third-country markets and is a necessary stakeholder for addressing crucial aspects of the global agenda, such as climate change, the non-proliferation of weapons of mass destruction and global security. This has been reflected in support for [the bilateral investment agreement with China](#). There is also recognition of a clear normative and geostrategic gap that interferes in bilateral relations, alongside competition in numerous areas and rivalry on global standards, values and institutions, such as, for instance, the United Nations Human Rights Council.

In terms of geopolitical differences, the key factor is [the strategic rivalry between the US and China](#), to the point that this has come to condition relations between Madrid and Beijing. Outside the EU, the US is Spain's most important partner and plays a fundamental role in its defence (largely through NATO), as well as being a key economic partner, particularly on investment. The US investment stock in Spain is eight times higher than China's and the US was the destination of over 16% of Spain's foreign direct investment stock, compared with just 0.7% for China. The importance of this competition between major powers for Spanish external action, including bilateral relations with Beijing, was acknowledged in Spain's [External Action Strategy for 2021-24](#). Normative and geostrategic divergences with China have driven the increased securitisation of the relationship, with Spain adopting a more selective attitude towards ties with China. A key example has been the change in attitude towards Chinese investment in Spain, going from an institutional campaign seeking to maximise such investment to establishing an *ex ante* supervision mechanism. Another example has been the role of Chinese suppliers in the roll-out of 5G networks, an issue first raised by Washington. The drafting of Spain's [5G Cybersecurity Law](#) leaves the door ajar to identifying Chinese companies as 'high-risk suppliers', which would exclude them from the roll-out of 5G networks on security grounds and increase their financial cost.

Recent [opinion surveys](#) show that this more cautious stance on intensifying links with China is closely aligned with the attitudes and preferences of the Spanish public. This is perhaps unsurprising given the damage to China's image in Spain caused by the COVID-19 pandemic, partly due to the spread of conspiracy theories about the origin of the virus. The pandemic has also caused a visible deterioration in exchanges between the two societies, over and above the severe limitations created by China's zero-COVID policy. Universities have registered a sharp drop in young people interested in studying China, including learning Chinese. In contrast, [Spain enjoys a much more favourable image in China](#), since it is not perceived as a rival or threat.

Despite not being perceived as a direct military threat to Spain, there are nonetheless [security and defence concerns](#) regarding China, centred on hybrid threats, cyberattacks carried out on Spain originating in China, military support for Russia and unilateral modifications of the *status quo* by China in longstanding conflicts in its neighbourhood. Spain's complex and nuanced policy towards China is eminently pragmatic, allowing it to cooperate, compete and confront China as the situation requires (including on normative matters), without systematically risking the relationship on ideological grounds. Furthermore, relations with China are not subject to electoral pressure, remaining all but absent from political debate and the public agenda. This can be seen by the [largely cordial and cooperative tone](#) maintained over the years by the Chinese and Spanish authorities at the highest level, despite the significant deterioration in China's image caused by the emergence of COVID-19. The meeting in Bali between Sánchez and Xi in November 2022 is arguably the most recent example of this approach.

Nonetheless, in recent years non-government parties with parliamentary representation have adopted critical stances on China. The most notable example has been VOX, whose positions on China have mirrored those of the US alt-right. Nationalist parties on the margins of political debate provide another example, especially those sensitive to the Chinese government's worsening record on the rights and freedoms of minority groups.



The most recent case was the non-legislative motion tabled in October 2022 by the Basque Nationalist Party (EAJ/PNV) before the Foreign Affairs Commission of the Congress of Deputies, provoking reactions from both the embassy of the People's Republic of China and the Economic and Cultural Office of Taipei in Spain.

### Future scenarios

Although relations between Spain and China have lost steam in recent years –largely due to the zero-COVID policy pursued by the Chinese government for over three years– the decision to abandon this policy should favour exchanges between the two countries in all areas. In 2023 there are two events that could help to breathe new life into political relations: the celebration of the 50<sup>th</sup> anniversary of official diplomatic ties between Spain and the People's Republic of China and Spain's presidency of the Council of the European Union in the second half of the year.

In a highly uncertain world, there are a number of potential scenarios that could bring about major changes in Spanish-Chinese bilateral relations over the coming years. However, it seems likely that we will see a continuation of the cordial tone that has characterised political relations to date, with differences raised discreetly, alongside efforts to strengthen ties in areas that are not strategically sensitive and to [reduce or avoid dependence on China in strategic sectors](#). The inclusion of Chinese companies on the list of high-risk 5G suppliers will be a key test: while Chinese firms may figure on the list, this will be done with the utmost discretion in order to minimise the chances of diplomatic friction with Beijing.

Regardless, any significant change in bilateral relations will most likely be for the worse, given the growing normative and geostrategic gaps between the two countries and the erosion of China's image in Spain, which has the potential to attract greater political scrutiny of relations with Beijing.

There are many examples of EU countries (eg, Germany, Denmark, France, Italy, the Czech Republic and Sweden) where [disagreements with Beijing have occupied significant space in the public agenda](#), occasionally spilling over into political debate and mobilising sectors of society that are critical towards China. This has resulted in diplomatic crises with the Asian country and has significantly eroded China's image in these countries. However, Spain's relations with China have benefited from the consensus between PSOE and PP on the expediency of maintaining cordial relations with their Chinese counterparts, as well as from the business community's greater capacity to influence Spain's policy on China, compared to more critical sectors of civil society. VOX is the only party that has shown open and outright hostility towards the Chinese Communist Party regime. If the party were to obtain a governmental role in the area of foreign policy, we could see a more confrontational approach.

Regardless of the balance of political parties in Spain, situations can be envisaged that might lead the Spanish authorities to introduce clear containment measures to their policy on China, following in the footsteps of the US since the Trump Administration. Aside from a plausible increase in pressure from Washington and Spain's other European partners to toughen its stance on China in the event of further geostrategic

competition between the two powers, two further situations could significantly erode Spanish-Chinese ties: Chinese military support for [Russia's aggression in Ukraine](#) and an attack on Taiwan. The greater the intensity of the conflict with Russia, the greater the cooperation between Russia and China, which will create tension in Spain's relations with Beijing. This could even lead to confrontation with China in the unlikely event that Beijing and Moscow come to form a military alliance, since Spain and China would inevitably be part of opposing blocks in a bipolar international order. Another concern is the situation in the Taiwan Strait, where any military aggression initiated by Beijing or confrontation between China and the US could trigger a coordinated response by Spain and its main partners and allies, echoing the response to Russia.

Another plausible but highly unlikely scenario would be if Spain once again adopted a less uncritical strategy towards China, giving its political backing to Chinese diplomatic initiatives like the Belt and Road Initiative, the Global Security Initiative and the Global Development Initiative, despite its main European and transatlantic partners refusing to do so. Given that [loss of trust](#) has been a key factor in Spain's growing reluctance to cooperate with China in strategic sectors and on actions that could increase Beijing's influence in global governance, this scenario would require the Chinese authorities to take steps to reduce the current normative and geopolitical gap with Spain. For example, if China were to clearly distance itself from Russia, acting as a facilitator or mediator to bring an end to its aggression against Ukraine on terms acceptable to Spain or lifted its sanctions on European individuals and entities. This could bring about a wholesale improvement in relations between China and the EU as a whole.

## Conclusion

Spanish-Chinese relations are at a critical juncture, marked by the complex geopolitical context. Their future will depend on the capacity of the Chinese, US and EU authorities to manage their differences constructively in order to build a more prosperous and safer world, instead of [one defined by power struggles and zero-sum games](#).