



European Council: Spain

R. Annabayev

E-mail: rakhyma@student.ethz.ch

1 Introduction and Executive Summary

Spain is a Southwestern European Country bordering the Mediterranean Sea and the North Atlantic Ocean, located to the southwest of France. More than 49 million people call it home. Over 70 percent of the population is Roman Catholic, while 86 percent consider themselves to be ethnic Spaniards. The form of government is a parliamentary constitutional monarchy centralized around the capital Madrid. The nation's GDP was reported to be 1.311 trillion USD in 2017 [2].

2 Societal and Economic History

Before the 16th century, the Spanish empire was a puissant colonial power boasting an advanced military and strong economy. Things took a turn for the world in the 16th and 17th centuries: the undefeated Spanish navy was soon almost wiped out of existence by England's ever growing naval forces, while the subsequent failure to embrace the mercantile and industrial revolutions caused the country to fall behind Britain, France, and Germany in economic and political power [2]

Although Spain remained neutral in World War I and II, the devastating civil war in the years 1936-39 had dire consequences on the nation. The Spanish Civil War divides the country into two, as left-wing Republicans and right-wing Nationalists vie for supremacy, with both sides receiving foreign support. General Francisco Franco leads the Nationalists to victory, and remains in power till his death in 1975. A peaceful transition to democracy following the death of dictator Francisco FRANCO in 1975, and rapid economic modernization and joining the EU in 1986 gave Spain a dynamic and rapidly growing economy and made it a global champion of freedom and human rights [2]

After a prolonged recession that began in 2008 in the wake of the global financial crisis, Spain marked the fourth full year of positive economic growth (above the EU average) in 2017, with economic activity surpassing its pre-crisis peak, largely because of increased private consumption. The financial crisis of 2008 broke 16 consecutive years of economic growth for Eurozone's fourth largest Economy, leading to an economic contraction that lasted until late 2013. In that year, the government successfully shored up its struggling banking sector - heavily exposed to the collapse of Spain's real estate boom - with the help of an EU-funded restructuring and recapitalization program. The unemployment rate rose from a low of about 8 percent in 2007 to more than 26 percent in 2013, but the implemented reforms managed to decrease it to only about 17 percent in 2017. High unemployment has always been a problem in Spain, especially among the youth, and strains Spain's public finances, as it causes an increase in the spending for social benefits, while tax revenue decreases. Spain's budget deficit peaked at 11.4 percent of GDP in 2010, but Spain gradually reduced the deficit to about 3.3 percent of GDP in 2017. Public debt has increased substantially - from 60.1 percent of GDP in 2010 to nearly 96.7 percent in 2017 [2]

In October 2017, the Catalan regional government conducted an illegal independence referendum and declared independence from



Fig. 1: Map of Spain

Madrid (see Domestic Policy). The international community has not recognized Catalonia's unilateral declaration of independence. The prosecutor's office in Brussels reported at the end of October that the former president of Catalonia, Carles Puigdemont, had turned himself in to Belgian police, along with several of his former government ministers.

3 Political Position

As Spain is a constitutional monarchy, the position of the Head of State is held by King Felipe VI, who succeeded the throne after the abdication of his father, King Juan Carlos, in June 2014. Although he retains some constitutional powers, such as the chief executive and commander-in-chief, King Felipe has pledged to continue his father's legacy of supporting the ideal, where the parliament is the primary governing body [3]

The head of Spain's executive political world is Prime Minister Pedro Sanchez, who was elected after his conservative predecessor Mariano Rajoy lost a parliamentary vote of no-confidence in June 2018. The new Socialist Prime Minister used Rajoy's long running corruption trial to "dethrone" him. Rajoy's People's party and its allies have dominated the parliament for the past years, so the ascending prime minister has not yet managed to gather a majority coalition [3]

Prime Minister Sanchez' moderate-left oriented Party has nowhere near a majority in the 350-strong Spanish Parliament, holding only 84 seats. The once dominant People's Party holds 134 seats, the Podemos Party - 67, the Citizens Party - 32, while the rest are other smaller Parties. Only 8 months after taking office, Sanchez has met an obstacle in the form of the national budget, which could force



Fig. 2: Spanish PM: Pedro Sanchez

him to announce the commencement of Spanish election a year earlier than planned (see Recent Developments). He is being pressured from all sides, especially from political blocs, who supported him in deposing Mariano Rajoy. This political uncertainty could affect Spain's domestic and Foreign policies, as the political right will probably increase their efforts in regaining control over the Spanish parliament [3]

4 Foreign Policy [1]

Since joining NATO in 1982, Spain has been one of the least contributing members to the organization (only 0.91 percent of GDP). Using NATO structures, but paying distinctly then the agreed up 2 percent of the GDP. In fact, Spain has consistently been in the bottom 3 NATO contributors (correlated to GDP). NATO has pushed the 23 Member states that haven't made the mark for answers, spurring the Spanish government to commit a staggering 18 billion euros over the coming years to its military spending. That takes the percentage of the GDP devoted to defense to between 1.5 and 1.6 percent, still short of NATO's required 2 percent. The Spanish government has expressed these concerns in a letter addressed to NATO secretary-general, Jens Stoltenberg, estimating that the earliest Spain could meet the 2 percent target is 2028 [5]

5 Domestic Policy

The most controversial topic in Spain's Domestic Policy is naturally Catalonia's bid for Independence on October 2017. The residual shock waves of the event can still be felt in Spanish politics today. It could be one of the reasons why the two pro-independence blocs in the parliament decided to support the Socialists in the no confidence vote against Mariano Rajoy. In 2017, then Prime Minister Rajoy made a decision to call an Election in Catalonia to quash the efforts of separatists. His decision backfired terribly: the pro-independence parties won a majority in the regional parliament, while Rajoy's People's Party only won 3 seats. Catalonia's pro-independence leaders then went ahead with a full referendum on 1 October 2017, which was also declared illegal by Spain's constitutional court. Organisers said 90 percent of voters backed a split. But turnout was only 43 percent amid a boycott by unionists. The sight of Spanish national police beating voters, and politicians being jailed, revived disturbing memories, for some, of the Franco dictatorship. In a febrile atmosphere the separatist majority in the Catalan parliament declared independence on 27 October. Using the Article 155 emergency powers, Madrid dissolved parliament, sacked its leaders and called a snap election for 21 December. Some argue that if Madrid makes concessions, such as restoring parts of the 2006 autonomy statute, it could defuse the crisis [6]

6 Recent Developments

The most recent development in Spain's political world was the current governments inability to negotiate the national budget. The Socialists are usually supported by the ERC and PDeCAT, the two pro-independence Catalonia Parties, to gain majority in the parliament. Unfortunately for the governing Party, these two parties decided to vote against the current PM's proposed budget. There are 2 main reasons for this: the first being the Socialists' stance to shy away from any dialogue that could result in Catalonia independence, the second - the trial of 12 Catalan independence leaders happening concurrently. After failing to pass the budget, PM Sanchez held an Emergency meeting and on the 15th of February Announced his decision to call for a snap election, which will take place on April 28th. A big reason for this sudden decision could be the expected economic slowdown for the country, which could ruin his and his party's chances in any election held at a later date [7]

7 References

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