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Foreign Policy

Morocco protests over Spain's hospitalisation of independence leader

Spain's Ambassador in Morocco was summoned to explain his government's decision to receive for medical treatment Brahim Ghali, head of the Polisario Front that for decades has led the fight for the Western Sahara's independence from Morocco. Ghali (73) is in hospital in Logroño for treatment of COVID-19.

The Moroccan Foreign Ministry told Ambassador Ricardo Díez-Hochleitner that Spain's action is 'inconsistent with the spirit of partnership and good neighbourliness'. Morocco, the source of thousands of migrants crossing the sea to enter Spain illegally, is a strategically important country for Madrid. Spain's Foreign Minister said Ghali was taken in 'for strictly humanitarian reasons'.

The Western Sahara (population 600,000) borders Algeria and Mauritania. It was colonised by Spain in the 19th century and annexed by Morocco in 1975. Algeria backs the Polisario.

Ghali, who also leads the self-declared Sahrawi Arab Democratic Republic, was investigated by Spain's National Court in 2008 and again in 2016 for possible genocide and other crimes after allegations were brought against him by a dissident Sahrawi group. The case has since been closed.

The world is divided over the Western Sahara, home to one of the UN's longest-running peacekeeping forces since 1991 to monitor a ceasefire and prepare for a referendum on independence, which has yet to be held. Some countries recognise the territory as

independent, some back Morocco and others support the UN's efforts for a negotiated solution.

Official development aid inches up, but from much lower GNI

Spain devoted 0.24% of its greatly reduced gross national income (GNI) in 2020 to official development aid (ODA), slightly higher than the 0.21% in 2019, according to preliminary OECD figures (see Figure 1).

Figure 1. Official Development Aid (% of GNI), 2020

| | % of GNI |
|--------------|-------------|
| Denmark | 0.73 |
| France | 0.53 |
| Germany | 0.73 |
| Italy | 0.22 |
| Spain | 0.24 |
| Sweden | 1.14 |
| UK | 0.70 |
| US | 0.17 |
| OECD average | 0.32 |

Source: OECD.

The government plans to double ODA spending to 0.5% of GNI by 2024. It plummeted from a high of 0.46% in 2009 to 0.12% in 2015 and then picked up. The target of 0.41% for 2020, an abnormal year because of the pandemic, which produced an 11% fall in economic output, was not reached.

The EU is committed to increasing collective ODA to 0.7% by 2030, in line with the UN target and made more difficult by the departure of the UK, one of the largest contributors (0.7% every year since 2013), from the bloc.

Domestic Scene

Resounding victory for Popular Party in Madrid election

The conservative Popular Party (PP) won a landslide re-election in Madrid, more than doubling its seats in the region's parliament, a higher number than the three left-wing parties combined, and on a record voter turnout (see Figure 2). It was four seats short of an absolute majority in the 136-seat parliament, and will govern with the support of the far-right VOX.

Figure 2. Madrid regional elections, number of seats and percentage of votes, 2021 and 2019

| | Seats 2021 | % of votes | Seats 2019 | % of votes |
|-------------------|------------|------------|------------|------------|
| Popular Party | 65 | 44.7 | 30 | 22.2 |
| Más Madrid | 24 | 17.0 | 20 | 14.7 |
| Socialists | 24 | 16.9 | 37 | 27.3 |
| VOX | 13 | 9.1 | 12 | 8.9 |
| Unidas Podemos | 10 | 7.2 | 7 | 5.6 |
| Ciudadanos | 0 | 3.6 | 26 | 19.5 |
| Voter turnout (%) | 76.2 | | 64.3 | |

Source: Madrid regional government.

The snap election was called by Isabel Díaz Ayuso, the region's 42-year-old incumbent Premier and scourge of the Socialist-led coalition central government, to head off a no-confidence vote by the would-be centrist Ciudadanos (Cs), which had supported her government together with VOX. It turned into a debacle for Cs and the Socialists. Cs collapsed, winning no seats at all (from 26 in 2019) and the Socialists' results (13 fewer seats) were the worst ever in Madrid, governed by the PP since 1995. Díaz Ayuso, a complete unknown two years ago, is a rising political star.

The PP views its stunning victory as the beginning of a re-shaping of national politics, leading to an ousting of the Socialists and the far-left Unidas Podemos (UP) in the next general election, not due until November 2023. Prime Minister Pedro Sánchez initially threw himself into the Madrid campaign until he realised this was benefiting Díaz Ayuso more than the Socialists. His candidate was the lacklustre 72-year-old Ángel Gabilondo who ran an erratic campaign and resigned.

The PP even conquered the 'red belt' of municipalities in south Madrid. The Socialists lost almost all its fiefdoms, a humiliating defeat and one it did not expect, encouraged by the official pollster CIS, headed by José Félix Tezanos, a former member of the Socialists' Executive Committee, which in late April gave them 10 more seats than they actually won and the PP 10 fewer. A high voter turnout has tended to benefit the left in the past, but not this time. The pandemic did not deter voters.

Díaz Ayuso's lax strategy for handling the pandemic, refusing to close bars and restaurants unlike other regions, despite a very high coronavirus incidence rate, and epitomised in her populist and simplistic slogan 'Freedom or Communism', won over voters, many of whom deserted Cs. She capitalised on the public's pandemic fatigue. Part of what made Madrid so free, she said jokingly, was that 'you can change partners and never see your ex again'.

Making Madrid the epicentre of Spanish nationalism also played well against the backdrop of the push for independence in Catalonia. Some supporters rallied outside the PP's headquarters to celebrate Díaz Ayuso's victory wrapped in the Spanish flag.

On polling day (4 May), Madrid recorded 343 COVID-19 cases per 100,000 in the last 14 days, against a national average of 213, and an occupancy rate in intensive-care units of 44%.

The PP's result, however, cannot be extrapolated nationally. It used to be said that whoever governed Madrid would tend to govern nationally but that stopped being likely some 30 years ago. Since 2015 political life has been much more fragmented with the entry into parliament of new parties (16 are represented in the current Congress). Madrid is the PP's fiefdom, but it is a marginal party in the Basque Country and Catalonia.

Díaz Ayuso's libertarian discourse (Trumpian for her opponents) could move the PP away from the centre ground and benefit the Socialists. Sánchez said he would not call an early election. He is hoping an economic recovery fuelled by funds from Next Generation EU will boost the Socialists' prospects before the next general election.

Pablo Iglesias, UP's leader, who stepped down as Deputy Prime Minister to run in the Madrid election, quit politics after his party won only 7% of the vote. The mantra of Iglesias, a divisive figure, in the campaign, 'Democracy or Fascism', was as banal as Díaz Ayuso's. UP was outflanked by Más Madrid, a party created in 2019 by Íñigo Errejón, one of UP's co-founders. Led by a hospital doctor, Mónica García, the party won slightly more votes than the Socialists and more than double UP's.

Iglesias left politics 10 days before the 10th anniversary of thousands of young people occupying the Puerta del Sol in the heart of Madrid, who, outraged at the austerity during Spain's Great Recession and calling themselves *los indignados* ('the outraged'), spawned Podemos, which broke the mould of Spanish politics.

The widely predicted collapse of Cs, following that in February's election in Catalonia, when the party lost 30 of its 36 seats, meant that voting for it ceased to be a 'useful vote'. Parties need to obtain 5% of the vote to gain seats. Cs got 3.6%.

Its decline, which could be terminal, began after the April 2019 general election when it won 57 seats, nine fewer than the PP. Emboldened by those results, Cs moved rightward under its then leader Albert Rivera, in a bid to overtake the PP in the election in November 2019, and lost 47 seats. Since then, under Inés Arrimadas, Cs squeezed between the PP and VOX, has not been able to carve out a new and coherent identity. Its shift back to the centre has not convinced voters.

Six-month state of emergency ends, pandemic vaccination roll-out gathers pace

Spain entered a new phase of the coronavirus pandemic with the lifting on 9 May of the six-month state of alarm and a pick-up in the roll-out of the vaccine.

Controlling the pandemic is now back in the hands of the 17 regional governments, some of whom wanted the state of emergency, which gave them the legal powers to introduce restrictions, extended.

In order to prevent the legal chaos that occurred last year between June and October (following the end of the first state of emergency), when judges from lower courts reached contradictory decisions on curbs, the central government approved a decree that gives the Supreme Court the final word. The confusing situation in 2020 was shown up in Catalonia, with a court in Barcelona rejecting limits on meetings in L'Hospitalet to fewer than 10 people while, on the same day, another court in Lleida allowed these same restrictions in Segrià.

Under the new situation, regional governments' restrictions have to be approved beforehand by regional courts, and their rulings can now be appealed before the Supreme Court, unlike before. The appeals process, however, can take up to a maximum of two weeks, which risks making a quick response to a worsening of the pandemic situation something of a mockery. Judge César Toloa, President of the Administrative Bench of the Supreme Court, criticised the government's move. 'Judges are not here to govern, these decisions correspond to public authorities'.

Two court rulings last week, however, showed legal disparities persist. The Supreme Court in the Basque Country, whose 14-day incidence rate of COVID cases per 100,000 was more than 440, ruled against various restrictions, while the same court in Valencia, where the rate was just above 40, ruled in favour of the same restrictions. In the Canary Islands, the regional government appealed a court's decision against maintaining a curfew.

'The state of alarm is considered for exceptional situations, not for it to be *sine die*', said Health Minister Carolina Darias. 'We believe that the measures available to the regions in accordance with ordinary legislation and in accordance with the royal decree approved are enough to fight the virus'. Pablo Casado, the PP's leader, said Spain had moved from a 'state of alarm to a state of chaos'.

The end of the state of alarm enables people to enter and leave regions. The wearing of face masks remains compulsory and curfews in some regions remain in place.

As of 20 April the number of those fully vaccinated finally exceeded the number of COVID-19 cases (3.4 million) after a slow start. At 9 May, 6.2 million people (13.1% of the population) had received the full dose and 13.8 million (29.1%) at least one vaccination. The situation by age group is shown in Figure 3.

Figure 3. COVID-19 vaccination by age groups (%) (1)

| | +80 | 70-79 | 60-69 | 50-59 | 25-49 | 18-24 | 16-17 | Average |
|--------------|------|-------|-------|-------|-------|-------|-------|---------|
| At least one | 100 | 92.5 | 74.6 | 15.8 | 11.8 | 5.8 | 0.2 | 34.4 |
| Full | 97.2 | 43.8 | 6.9 | 6.5 | 4.9 | 2.4 | 0.1 | 15.5 |

(1) At 10 May.

Source: Health Ministry.

The 14-day cumulative case rate for Spain as a whole stood at 189 on 10 May, with the Basque Country at 407 and Madrid at 304 (see Figure 4).

Figure 4. Coronavirus (COVID-19) 14-day cumulative number of cases per 100,000 people by region

| | 15 March | 12 April | 10 May |
|--------------------|------------|------------|------------|
| Andalucía | 122 | 225 | 180 |
| Aragón | 140 | 218 | 291 |
| Asturias | 178 | 163 | 95 |
| Balearic Islands | 43 | 57 | 57 |
| Basque Country | 174 | 320 | 407 |
| Canary Islands | 120 | 134 | 84 |
| Cantabria | 95 | 161 | 205 |
| Castilla y León | 108 | 196 | 166 |
| Castilla-La Mancha | 72 | 157 | 193 |
| Catalonia | 166 | 227 | 253 |
| Extremadura | 55 | 135 | 91 |
| Galicia | 77 | 75 | 93 |
| Madrid | 223 | 336 | 304 |
| Murcia | 66 | 67 | 68 |
| Navarre | 127 | 425 | 271 |
| La Rioja | 77 | 211 | 233 |
| Valencia | 45 | 36 | 36 |
| Spain (1) | 129 | 199 | 189 |

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

Source: Health Ministry.

Parliament approves child abuse law

Parliament approved a law to better protect child victims of sexual abuse in schools, families, healthcare and online. Under the new law, expected to be also approved by the Senate in June, survivors will be able to report abuse for up to 15 years after turning 35 as opposed to 18 at the moment.

As well as extending the period in which abuse can be reported, special courts for cases involving violence against children will be created, and the number of times that children under the age of 14 have to testify will be limited in order to avoid further trauma.

Population shrinks for first time in four years

Spain's registered population stood at 47.34 million on 1 January, 106,146 below that of a year earlier and the first fall since 2016, according to provisional figures from the National Statistics Institute (INE). The fall was due to the low birth rate and the death toll from COVID-19 in 2020.

Foreigners accounted for 11.4% of the total population (see Figure 5). Six of the countries with the largest communities in Spain increased, including Morocco, the main one, and the UK (+17,137).

Figure 5. Foreign population by the 10 main countries 1 January 2021 and 1 January 2021

| | 1 January 2021 (p) | 1 January 2020 |
|------------------------|--------------------|----------------|
| Morocco | 869,661 | 865,945 |
| Rumania | 639,261 | 667,378 |
| Colombia | 290,053 | 273,050 |
| UK | 280,022 | 262,885 |
| Italy | 256,115 | 252,008 |
| China | 228,564 | 232,807 |
| Venezuela | 197,615 | 189,110 |
| Honduras | 128,922 | 121,963 |
| Ecuador | 123,148 | 130,919 |
| Bulgaria | 117,267 | 122,375 |
| Total of all countries | 5,407,822 | 5,434,153 |

(P): provisional.

Source: INE.

The UK's exit from the EU on 31 January 2020 made Britons wishing to live permanently in Spain bring forward their plans, while some of those living 'under the radar' have registered with their local town hall.

EU rules post-Brexit limit visa-free visits by UK tourists and second-home owners to a maximum 90-day stay per 180 days. These rules, which have been applied in the EU to third-country nationals for years, do not apply to British nationals settled in the EU lawfully. The British community in Spain is the oldest (average age 53.6, see Figure 6).

Figure 6. Average age by countries (main nationalities)

| | Average age |
|-------------|-------------|
| Britons | 53.6 |
| Germans | 49.4 |
| Spaniards | 44.7 |
| French | 42.8 |
| Portuguese | 40.4 |
| Italians | 38.8 |
| Paraguayans | 34.5 |
| Chinese | 32.9 |
| Moroccans | 31.7 |
| Pakistanis | 31.2 |

Source: INE.

15-year-olds below the OECD average in learning digital skills

Students in Spain are at a disadvantage in acquiring various digital skills compared with many of the other 36 OECD countries, according to a study by the Paris-based think tank based on the results of its last Programme for International Student Assessment (PISA).

Only 46% of students, for example, said they were taught how to detect whether online information is subjective or biased, ranking it 31st, compared with an OECD average of 54.5% (see Figure 7).

Figure 7. Frequency of opportunity to learn digital skills at school (%): results based on students' self-reports

| | How to use keywords when using a search engine | How to decide whether to trust information from the Internet | How to compare different web pages and decide what information is more relevant for schoolwork | How to use the short description below the links in the list of results of a search | How to detect whether the information is subjective or biased | How to detect phishing or spam emails |
|--------------|--|--|--|---|---|---------------------------------------|
| France | 63.0 | 74.5 | 69.2 | 50.1 | 49.9 | 36.3 |
| Germany | 49.4 | 54.3 | 46.5 | 37.2 | 48.7 | 25.3 |
| Italy | 44.2 | 57.9 | 57.3 | 31.7 | 49.0 | 27.3 |
| Spain | 40.4 | 67.3 | 58.1 | 36.2 | 45.9 | 35.8 |
| UK | 57.0 | 74.9 | 61.8 | 51.9 | 67.6 | 52.9 |
| US | 75.0 | 87.5 | 82.5 | 66.5 | 78.8 | 49.0 |
| OECD average | 55.9 | 69.3 | 62.6 | 48.5 | 54.5 | 41.2 |

Source: 21st Century Readers: Developing Literacy Skills in a Digital World, OECD.

Students scored high in two of the three indices of knowledge of reading strategies – ‘understanding and remembering a text’ and ‘writing a summary’– but less so in the index of reading strategies for ‘assessing the credibility of sources’. They are below the OECD average when they try to apply this knowledge to real-life situations like distinguishing facts from opinions.

An OECD official said the results suggest students have a comparatively good knowledge of traditional and still important aspects of reading. However, they lack, on average, the knowledge and skills relevant to navigate in a digital world.

The Education Ministry is planning to reduce in the 2022-23 curriculum the amount of rote learning in favour of more critical thinking, which, if implemented effectively, should improve digital skills.

The PISA tests are carried out every three years. The last one was in in 2018.

Government meets EU deadline for submitting its recovery fund spending plan

The government sent its plan to Brussels at the end of last month on how it intends to spend almost €70 billion of grants from the EU coronavirus recovery fund in order to make the economy greener, more digitalised and inclusive.

Prime Minister Pedro Sánchez hopefully claims it will transform the economy in a similar way that EU funds did after Spain joined the European Community in 1986.

The total €155 billion from Next Generation EU (NGEU), the second-largest amount after Italy and in one of the EU countries hardest hit by the pandemic, entails grants (2021-23), €71.6 billion in loans (2024-26) and other funds. The European Commission has two months to assess and approve the plans of member states, some of which did not meet the deadline. In Spain's case, the government is receiving €27 billion in advance of approval.

The largest slice of grants (see Figure 8) will go towards modernising and digitalising industry including the key tourism sector (12% of GDP in a normal year). Fernando Valdés, the Secretary of State for Tourism, told Sky News Spain is 'desperate' to welcome back British holidaymakers. Close to 19 million Britons came in 2019 out of a total of 84 million international tourists, the same number as the total for 2020.

Figure 8. Components of the Spanish plan

| Policy area | Amount (€ bn) | % distribution | Contribution to the green transition | Contribution to the digital transition |
|---|---------------|----------------|--------------------------------------|--|
| 1. Urban and rural agenda, fight against depopulation and development of agriculture | 14.41 | 21 | Over 40% | Under 10% |
| 2. Infrastructure and resilient ecosystems | 10.4 | 15 | Over 40% | Under 10% |
| 3. Just and inclusive energy transition | 6.39 | 9 | Over 40% | Under 10% |
| 4. A public administration for the 21 st century | 4.32 | 6 | 10%-40% | Over 40% |
| 5. Modernising and digitalising industrial and SME tissue, help the recovery of the tourism industry and boost entrepreneurship | 16.08 | 23 | Under 10% | 10%-40% |
| 6. Science and innovation, strengthening the national health system | 4.95 | 7 | Under 10% | Under 10% |
| 7. Education and knowledge, continuous learning and capacity development | 7.32 | 11 | Under 10% | 10%-40% |
| 8. New urban economy, employment policies | 4.86 | 7 | 10%-40% | 10%-40% |
| 9. Boosting culture and sport | 0.83 | 1 | 10%-40% | 10%-40% |
| 10. Fiscal reform, for sustainable and inclusive growth | 0 | 0 | Under 10% | Under 10% |
| Total | 69.53 | 100 | | |

Note: the plan presents the contribution to green and digital transitions for the sub-components of these main headings, but not for the main headings themselves. The categorisation is not always the same for all sub-components of a particular main heading. The categorisation of the main headings reflects our evaluation based on the amounts and the categorisation of sub-components.

Source: Bruegel.

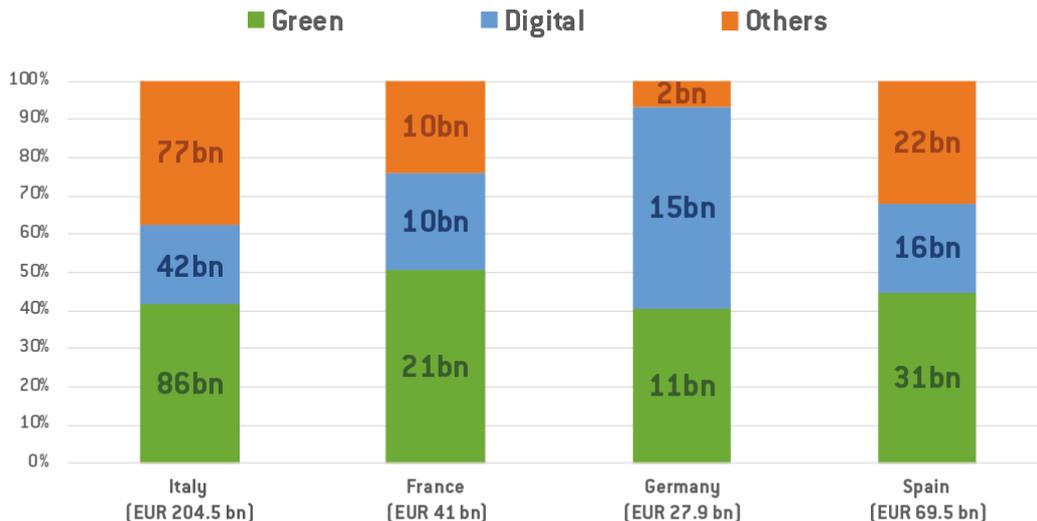
The UK government's decision to put all of Spain, including the Canary and Balearic Islands, on its amber list for travel as of 17 May, meaning British holidaymakers will have to quarantine for up to 10 days on return, is bad news. No region in Spain made the green list of countries which allows travellers to avoid quarantine upon return. Until that announcement holidaymakers had not been discouraged from going to the Canaries and the Balearics. The list will be updated as countries improve, but people are already beginning to book holidays, particularly package tours,

The government recently revised down its optimistic growth forecast for this year from 9.8% to 6.5% and revised upward its fiscal deficit projection to 8.4% of GDP from 7.7%.

The showcase project from NGEU will be the creation of a public-private consortium between the German-owned automotive company SEAT and the renewable energy group Iberdrola to build Spain's first plant making electric-car batteries. Agreement has yet to be reached with the European Commission on how much Spanish state aid can be used.

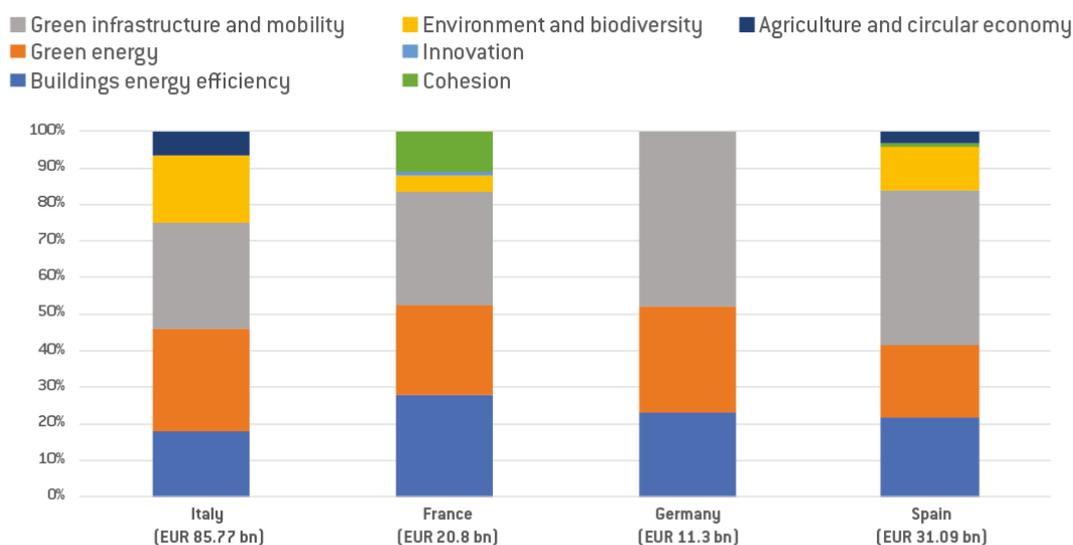
Spain will spend around 40% of the grants on green priorities compared to 50% in Germany (see Figure 9). Specific action plans differ significantly by country (see Figure 10).

Figure 9. Overall resource allocation in national plans



Source: Bruegel based on national plans submitted between 25-28 April 2021. Note: the numbers next to the country names indicate the total € amounts of the plans to be financed by NGEU respites. The total amount of Italy's plan is €235 billion, which also includes national funding amounting to €30.6 billion.

Figure 10. The Green components of national plans



Source: Bruegel base on national plans submitted between 25-28 April 2021.

The drawing up of Spain's plan involved dozens of meetings in Brussels. Details of the pressing and politically complex issues of reforming the ailing and untenable pensions system and the dysfunctional labour market have yet to be announced.¹

Bank of Spain in gloomy warning on plight of the young

Young adults had it tough before the COVID-19 pandemic and now face an even bleaker future, according to a Bank of Spain report.

The pandemic cut short the previous cycle of growth as of 2014, following the Great Recession (unemployment hit 26% in 2012), and it was not sufficient for the lowest paid young adults to recover income fully. The GDP shrinkage in 2020 of close to 11% was the biggest since the 1936-39 Civil War and deeper than that of other EU economies, mainly because of the large weight of tourism and of SMEs (more affected by the crisis).

The report by Óscar Arce, head of the Bank of Spain's research department, says the young face much greater uncertainty now, particularly those employed on temporary contracts (more than 50% of 15-29-year-olds) and in low-income jobs. These people have borne the brunt of the pandemic, with a sharp reduction in the length of contracts and a rise in part-time working. They have also benefited less from the furlough scheme. In addition, relatively more young people work in 'social' industries where teleworking is comparatively scarce.

¹ Much more detail about the NGEU can be found in my Working Paper, published last month and available at http://www.realinstitutoelcano.org/wps/portal/rielcano_en/contenido?WCM_GLOBAL_CONTEXT=/elcano/elcano_in/zonas_in/wp01-2021-chislett-challenges-and-opportunities-for-spain-in-times-of-covid-19.

Job prospects are also limited by education attainment. The highest level for more than 25% of those aged between 25 and 29 was lower secondary education in 2019, a legacy of the decade-long boom until 2008 fuelled by a massive property bubble which burst with the onset of the global financial crisis. Students dropped out of school in droves to work in construction and tourism. At the other end of the education spectrum, it is very hard for university graduates to find a job in keeping with their qualification.

The stated jobless rate (based on a quarterly household survey) stood at almost 16% at the end of April (3.6 million unemployed, 341,000 more than a year earlier, excluding 750,000 furloughed workers). The job retention scheme known as ERTes will be extended from the end of this month to the end of September. In the services sector, 344,500 jobs were lost in the previous 12 months. The unemployment rates varied considerably by region: 22.5% in Andalucía and 11% in the Basque Country.

Young adults are also finding it increasingly difficult to get on the property ladder. Only 7% of those born in 1988 owned their first home when they reached 29 compared with 26% of those born in 1976. One factor is the greater stringency in granting mortgages as a result of the financial crisis, which saw many banks go under, partly due to very lax lending policies.

It is too early to see the pandemic's impact on the already very low birth rate (with a fertility rate of 1.3 birth per woman), but it is fair to assume it will decline (with a -20% fall in January 2021 year-on-year).

Tackling the enormous fiscal deficit (11% of GDP in 2020) will impact the young, as the fiscal gap has to be reduced, while population ageing is substantially increasing the dependency ratio (the population aged 15 years or less and 65 or more over the working population aged 16-64) and is going to require some tough pension reforms. Arce says longer life expectancy (Spain's is one of the world's highest at 83 years) means people are going to have to work longer.

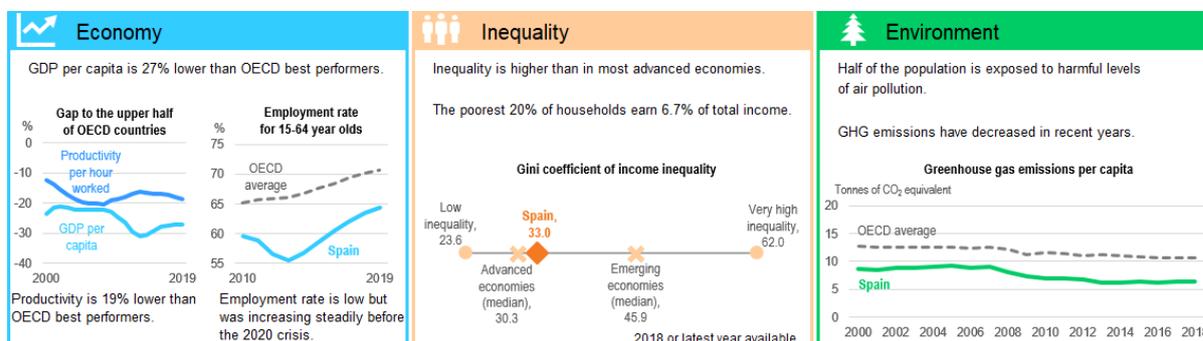
The Bank of Spain report coincided with a call by the Paris-based OECD think tank for Spain to improve the effectiveness of its tax system in order to make its recovery from COVID-19 more resilient and inclusive.² Other proposed structural reforms, broadly in line with those for NGEU, are:

- Competition and regulation: eliminate regulatory barriers that depend on the size of firms and barriers to operating across regions.
- R&D and digitalisation: increase R&D spending to boost innovation and productivity growth.
- Education and skills: improve basic skills and align them with labour market needs.
- Labour market: improve activation policies and reduce the use of temporary contracts.

² See <https://www.oecd.org/economy/growth/Spain-country-note-going-for-growth-2021.pdf>.

Spain has a lot of catching up to do: its performance and gap with the best OECD countries before the pandemic is shown in Figure 11.

Figure 11. Spain's performance prior to the COVID-19 crisis



Economy: percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2015 PPPs). Inequality: the Gini coefficient for disposable income measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution; a value of zero represents perfect equality and a value of 100 extreme inequality. Environment: greenhouse gas (GHG) emissions include emissions or removals from land-use, land-use change and forestry (LULUCF); a high exposure to air pollution refers to above 10 µg/m³ of PM_{2.5}. Source: OECD Going for Growth 2021.

Corporate Scene

Top three banks seek 14,800 job cuts

The decision of CaixaBank, BBVA and Santander, the three largest banks in Spain by assets, to shed 14,800 jobs between them epitomises the problems in a sector marked by too many branches, whose clients are increasingly conducting their banking online, a trend accentuated by the COVID-19 pandemic, and with profitability dented by negative real interest rates.

Trade unions will fight the cuts and the government would like the salaries and bonuses of senior bank executives to be limited.

The removal of restrictions in 1989 on establishing branches outside their home regions enabled savings banks (CaixaBank is the result of the merger of many of them) to expand around Spain, and they did so at an inexorable pace. The number of their branches rose from 13,642 in 1990 to a peak of 25,001 in September 2008, while the number of branches of the much more prudent commercial banks, including BBVA, dropped over the same period from 16,917 to 15,657.

When the global financial crisis burst in 2008 and with it Spain's massive property bubble, many savings banks went to the wall or were merged with other entities. The number of bank employees dropped from 270,855 in 2008 to 181,575 in 2019.

The magnitude of the banking crisis was such that the government created the 'bad bank' Sareb in 2012 to manage the toxic assets of failed banks. Sareb made a loss of €1,073

million last year and was reclassified by the European Commission as a public entity, which pushed up Spain's public debt from 117% of GDP to 120%.

CaixaBank includes Bankia (itself the product of merging seven savings banks in 2012), which stopped appearing on the stock market with its own moniker last month, as a result of its absorption. CaixaBank is seeking to get rid of 7,791 employees (18% of its total) and close 1,534 branches (27%), BBVA wants 3,448 job cuts (15%) and 530 branch closures (22.5%), and Santander 3,572. CaixaBank originally wanted to get rid of 8,291 jobs and BBVA 3,798. They reduced the number after talks with angry trade unions.

Nadia Calviño, the Economy Minister, urged the Bank of Spain to limit job cuts and salaries, although that role corresponds to the European Central Bank, while José Luis Escrivá, the Social Security Minister, reminded banks that they had received public aid during the banking crisis. BBVA did not need any aid, but Bankia had to be rescued.

UK provisionally approves merger of O2 and Virgin Media

The UK's competition watchdog provisionally approved a £31 billion merger between O2, the UK arm of Spain's Telefónica, and mobile networks Virgin Media.

This will create one of Britain's largest entertainment and telcom firms. O2 has some 34 million mobile phone users and Virgin about six million broadband and cable TV customers and three million mobile users. O2 has its own subscribers and also provides the network for Tesco Mobile, Giffgaff and Sky Mobile.

The Competition and Markets Authority said the merger was 'unlikely to lead to any substantial lessening of competition'.