

Inside Spain 52

William Chislett

Foreign Policy

Spain to Participate in EU's Anti-Pirate Force

The Spanish frigate *Victoria* is to form part of the EU's anti-pirate force in the Gulf of Aden and off Somalia, one of the world's busiest shipping lanes, to protect United Nations aid shipments and commercial vessels, that have been repeatedly hijacked.

Spain will contribute around 400 Spanish military personnel to the EU's first naval mission, known as Operation Atlanta, led by the UK, as well as an oil tanker, which will give logistical support, and a P-3 Orion aircraft stationed at Djibouti since last September.

Figure 1. Somalia



Source: BBC.

According to the UK think-tank Chatham House, the number of hijack bids more than doubled to 61 in 2008. José Cendon, a Spanish photographer, was freed after being held by pirates for 38 days in Somalia. Miguel Ángel Moratinos, the Foreign Minister, denied the government had paid a ransom.

More than 100,000 Spanish troops have participated in 50 international peace missions over the last 20 years in four continents. Spain began these missions in 1989 when the United Nations asked it to take part in missions to Namibia and Angola. There are currently 1,000 troops in Lebanon, 778 in Afghanistan, 630 in Kosovo, 266 in Bosnia-Herzegovina and 100 in Chad.

The ceiling of 3,000 troops abroad at any one time was removed at the end of 2008.

Spain and India Agree to Coordinate Fight Against Terrorism

Spain and India agreed to set up a working group for the prevention of terrorism, following a visit to New Delhi by María Teresa Fernández de la Vega, the Deputy Prime Minister, who met with India's Prime Minister, Manmohan Singh. Both Spain and India have been the targets of major terrorist attacks.

Singh told Fernández de la Vega that he would support Spain's bid to be invited to the G-20 summit in London in April, although the country is not a G-20 nation. José Luis Rodríguez Zapatero succeeded in attending the G-20 summit in Washington in November after winning the backing of President Nicolas Sarkozy of France, the then EU President.

Domestic Scene

Population Surges, Government Seeks to Limit Influx of Immigrants

Spain's population rose by more than 957,000 in 2007 to 46.1 million on 1 January 2008, almost 100,000 more than initially estimated by the National Statistics Office (INE) which revised its figures (see Figure 2). The increase was the largest ever, beating the previous record in 2004 of 910,846, and again was largely due to the influx of immigrants.

Eight out of nine new citizens of Spain in 2007 were not born in the country, and immigrants are also producing proportionately more children than Spaniards. The mother of the very first child born in 2009 is Uruguayan.

Figure 2. Spain's Population and Foreigners' Share, 2000-08 (1)

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Population (million)	40.5	41.1	41.8	42.7	43.2	44.1	44.7	45.2	46.1
Foreigners' share (%)	2.3	3.3	4.7	6.2	7.0	8.4	9.3	10.0	11.3 (2)

(1) The figures at 1 January of each year are based on those registered with local town halls. Foreigners have an incentive to do this as it entitles them to public health care and education, although not everyone does so.

(2) Based on the previous population figure.

Source: INE (National Statistics Office).

The population surge, coupled with an economy now in recession and soaring unemployment, led the government to propose new rules to limit or deter the arrival of immigrants. One measure would make it more difficult for family members to come to Spain after a member of it had established himself/herself legally and another would raise from 40 to 60 the number of days the police can hold people caught entering illegally. So far, few immigrants have taken advantage of the government's scheme to voluntarily repatriate those legally in the country and who are unemployed.

A recent survey by the state-run Centre of Sociological Investigations (CIS) showed significant support among Spaniards for a tightening of immigration policies: 82% of respondents called for major or partial changes.

The number of illegal immigrants arrested after arriving by sea, air or land in 2008 was 24% less than in 2007 at 37,000 but still a large number. The largest fall was in the Canary Islands where 9,181 immigrants arrived in 2008 from Africa, 26.4% less than in 2007 and 71% below 2006. Alfredo Pérez Rubalcaba, the Interior Minister, said the reduction showed that the government's immigration policies were working, particularly cooperation agreements with countries such as Morocco and Senegal. The message is also getting out that Spain is in recession. The number of immigrants repatriated was 46,626, down from 55,938 in 2007.

ETA Car Bomb Damages Basque TV Station, Regional Elections Brought Forward

The Basque-language TV station EITB was significantly damaged in a car bomb attack by the Basque terrorist group ETA. No one was injured as ETA gave advance warning of the explosion and the building was evacuated.

The bomb blast was surprising because EITB is the only TV channel welcomed by ETA's political allies at press conferences. The channel is basically controlled by the Basque Nationalist Party (PNV), which has run the region's government since 1980. There was speculation that EITB was targeted because national, as opposed to regional, media have offices in the same building. Another interpretation was that the PNV is becoming an ETA target.

ETA has murdered more than 825 people since 1968 in its campaign for Basque independence.

Juan José Ibarretxe, the region's Premier, brought forward the date for Basque elections by six weeks to 1 March. They will coincide, for the first time, with the elections in Galicia. The Socialists are hoping to repeat their electoral success in the Basque Country achieved in the March 2008 general election when they won 38% of the vote, up from 27% in 2004, while the PNV vote dropped from 33.7% to 27.1%. The combined vote of the Socialists and the PP, the two 'national' parties, was significantly higher at 57% than the 38.8% of the 'non-national' parties (ranging from the PNV to radical Basque nationalists). Should the Socialists repeat these results, they would be in a position to dislodge the PNV and form a government, probably with the PNV.

Strike Threatens to Bring Law Courts to a Virtual Standstill

Judges, magistrates and judicial staff in many courts are threatening to strike over demands for better pay and conditions. The threat comes at a time when the backlog of cases reached a record 2.5 million at the end of 2008 (see Figure 3).

Figure 3. Cases Pending at the End of Each Year (millions)

Year	2001	2002	2003	2004	2005	2006	2007	2008
Cases	1.88	2.08	2.13	2.09	2.17	2.33	2.40	2.51

Source: Consejo General del Poder Judicial.

José Blanco, the deputy secretary general of the Socialists and the party's spokesman, said the move, the first of its kind, was illegal. Many constitutional lawyers agreed.

Among the demands are that the number of judges per 100,000 inhabitants moves closer to the EU average of 16. Spain has fewer than 10 (Germany has 24). A case can take years to come to court, and sometimes so long that by the time it does it has prescribed. The judicial system has been steadily deteriorating over the years: the computer systems of different parts of the judiciary in many regions are still not interconnected, making paperwork voluminous and time-consuming.

Substantial Advance of Women in Spain in Last 25 Years

The position of women in Spain has improved enormously since the death of General Franco in 1975. Under his dictatorship, for example, a married woman could not open a bank account or work without the permission of her husband. Among the advances highlighted in a book (see www.migualdad.es/mujer/publicaciones/docs/Mujeres_en_cifras_1983_2008.pdf) commemorating the 25th anniversary of the founding of the *Instituto de la Mujer* are:

- The number of women in the working population rose from 4 million in 1982 (29.5% of the total) to 9.5 million in 2007 (42.5%).
- In 1982 there were only 640,000 women with a university degree. Today there are more than 3.2 million. Women currently account for 54% of students at universities.

- The number of female members of the Congress rose from 16 out of a total of 350 in 1982 to 127 today. Women account for 26% of senior posts in the central government, up from 14% in 1982.
- Political power, however, has not been matched in the corporate world. Only 6% of the members of the Boards of Directors of the companies in the Ibex-35 index of the Madrid stock exchange are women.
- Women live on average 83.5 years in Spain, the longest in Europe, while men only live 77.6 years.
- As women have advanced, so has domestic violence. In 2008 73 women were killed by their husbands or partners compared with 54 in 1999.

And, as a result of crisis in the male-dominated construction sector, there were more men unemployed at the end of 2008 than women, for the first time in recorded history.

Last Statue of Franco Removed, Family Opens his Summer Estate to the Public

The last statue of General Francisco Franco on the Spanish mainland was removed from the northern city of Santander and, in a separate move, the dictator's heirs agreed to open his summer estate in Galicia to the public four days a month.

The mayor of Santander, Íñigo de la Serna, of the conservative Popular Party (PP), ordered the statue to be removed, in line with a law banning Francoist symbols, approved by the Socialist government in 2007. The only other sculpture of Franco, who died in 1975, stands in Spain's North-African enclave of Melilla, where he rose to military fame as a young Spanish Legion officer.

The mayor also ordered the removal of a plaque commemorating the Second Republic, which Franco overthrew when he led an uprising in 1936 against the democratically elected government and sparked the three-year civil war.

Franco's family had long resisted opening the doors of the 19th century Pazo de Meirás in the town of Sada. The regional government of Galicia, controlled by the PP, declared the estate a cultural heritage site.

Descendants of Exiles Given the Right to Apply for Spanish Citizenship

An estimated 500,000 descendants of people who fled into exile out of fear of political persecution or economic hardship between 1936, the start of the civil war, and 1955 are eligible for Spanish nationality.

Under a provision in the Law of Historical Memory, known as the *Ley de Nietos* (Law of Grandchildren) these descendants began to apply for nationality this month and have until 2011 to do so. In Cuba, for example, thousands of people queued outside the Spanish consulate in Havana. The consulate has taken on extra staff to cope with the avalanche.

The Economy

Economy in Recession, Record Number of Jobless, Inflation at Lowest Rate in 10 Years

The economy officially went into recession at the end of 2008 when the number of unemployed reached a record 3.1 million and the budget deficit breached the EU ceiling of 3% of GDP (surplus of 2.2% in 2007). The one bright spot was inflation which at

1.4% was the lowest rate in a decade. The jobless rate of more than 13% was by far the highest in the EU (see Figure 4).

Figure 4 . Unemployment Rates in the EU (%) (1)

Country	%
France	7.9
Germany	7.1
Italy	6.7
Spain	13.4
UK	5.9
EU-15 average	7.8

(1) November, 2008, the latest month for EU-wide figures.
Source: Eurostat.

One million of the three million jobs created in the first government of José Luis Rodríguez Zapatero (March 2004-March 2008) were lost last year, and of these 140,000 were lost in December, underscoring the intensified pace at which the economy is declining. The economy shrank 0.2% in the third quarter and growth was also negative in the fourth quarter by an as yet unspecified amount. A recession is defined as two quarters of negative growth.

The magnitude of Spain's soaring unemployment is starkly illustrated by the fact that although Spain's population of 46 million is 56% that of Germany's 82 million the number of unemployed in both countries is very similar. Germany's jobless rate at the end of 2008 was 7.6%. Funcas, the research foundation of Spain's savings banks, said unemployment could reach 18% in 2010 (some 4 million people).

Octavio Granado, the Secretary of State for Social Security, called 2008 an *annus horribilis* as the number of contributors to the social security system dropped by 841,465. Nevertheless, he said the system remained in surplus in 2008 (around 1.2% of GDP).

Pedro Solbes, the Deputy Prime Minister for the Economy, said this year's overall budget deficit would be close to 6% of GDP, much higher than the 3.4% estimated for 2008. The factors behind this include soaring unemployment benefits and plummeting tax revenues. The economy would shrink by an estimated 1.6% this year, after growing 1.2% in 2008, and the unemployment rate reach 16% (see Figure 5). Solbes said the government had used all its fiscal ammunition and Spain faced an unprecedented situation. The European Commission was even more pessimistic, predicting negative growth of 2% this year and 0.2% in 2010 (the government forecasts positive growth of 1.2% next year).

Figure 5. Macroeconomic Scenario 2008-11

	2008	2009	2010	2011
Real GDP growth (%)	+1.2	-1.6	+1.2	+2.6
Unemployment rate (%)	11.1	15.9	15.7	14.9
Budget deficit (% of GDP)	3.4	5.8	4.8	3.9

Source: Ministry of Economy and Finance.

Spain's deteriorating public finances led Standard & Poor's (S&P), the rating agency, to downgrade the country's top-notch triple A rating to double A plus, even though Spain's level of public debt –at around 40% of GDP– is considerably better than the EU average of more than 60%. S&P said 'public finances will suffer in tandem with the expected decline in Spain's growth prospects, and the policy response may be insufficient to effectively counter the related economic and fiscal challenges'. The European Commission forecast a budget deficit of 6.2% of GDP and S&P of 6.6%.

A year ago the financing of Spain's government debt was not much more expensive than in Germany. Now Spanish 10-year bonds are paying close to 4% compared with around 3% for Germany's. The gap in the two country's yields –a key indicator for measuring international confidence– has risen fourfold since last July to a record level since the launch of the euro 10 years ago.

While unemployment is at an all-time high in absolute terms, the jobless rate is still well below the much higher levels between 1985 and 1995 (see Figure 6). This is because the size of the working population has risen from 15 million at the end of the 1980s to 23 million today, making the jobless number in percentage terms lower.

Figure 6. Unemployment Rates in Spain, 1985-2008

(%)	1985	1990	1995	2000	2005	2007	2008
Unemployment	17.8	13.0	18.4	11.1	8.2	8.3	13.4 (1)

(1) November.

Source: Eurostat.

The largest number of jobs lost in 2008 was in the construction sector (590,730), followed by industry (399,872) and agriculture (101,338). Construction was, until 2008, the driving force of the economy and employed many immigrants. Of the 3.1 million unemployed, 410,000 are foreigners. Almost a third of the total number of unemployed does not qualify for benefits.

The surge in unemployment is making Spaniards accept any job they can get. For example, Spaniards, and not mainly immigrants, are harvesting olives in Jaén for the first time in many years, and 78,575 people applied to join the armed forces in 2008 compared with 43,036 in 2007. Tens of thousands of unemployed construction workers are seeking jobs in agriculture.

Thanks to the sharp fall in oil prices in particular, Spain's annual rate of inflation dropped from 5.3% in July to 1.4% in December.

Industrial output in November on a seasonally adjusted basis was 15.1% lower than a year earlier. This was the largest monthly fall since January 1993. Production of cars in November was 39.3% lower year-on-year.

The non-performing loans of Spain's commercial and savings banks reached 3.18% at the end of November, four times higher than a year earlier and the highest level since October 1997. The ratio for commercial banks was 2.6% and 3.6% for savings banks, who are relatively more heavily exposed to the battered property sector.

Telefónica Wins €350 million Contract with Deutsche Post

Telefónica, the telecoms group, expanded further into Europe by winning a €350 million five-year contract to supply Deutsche Post, the German logistics company, with networks that provide telephone and data services across 28 European countries, excluding Germany.

Telefónica O2 Europe, Telefónica's UK-based subsidiary, is leading the company's efforts to secure more corporate telecoms business.

New Home Prices Fall 6% in 2008, the First Decline Since 1993

The price of new homes in Spain fell for the first time in 15 years and the decline of 6.6% was much steeper than in 1993, when the economy was last in recession (see Figure 7).

The fall in the price of existing homes is believed to be much larger as owners do not always declare the true selling prices in order to reduce their tax bill. Homes that have been taken over by banks because the owner could not keep up with mortgage payments are selling for up to 30% less than the purchase price, according to bankers.

Figure 7. Change in the Prices of New Homes, 1991-2008 (%)

Year	% change	Year	% change
1991	+2.0	2000	12.5
1992	-0.5	2001	8.9
1993	-0.2	2002	14.7
1994	4.0	2003	15.8
1995	3.7	2004	12.5
1996	1.3	2005	10.1
1997	3.4	2006	9.8
1998	5.1	2007	5.1
1999	9.0	2008	-6.6

Source: Sociedad de Tasación.

Minimum Wage Rises More than Inflation to €624

The government raised the minimum wage by 4% to €624 a month (based on 14 payments). The increase was higher than the inflation rate (1.4% in 2008) and brought the total increase to 35% since 2004 when the Socialists took office (see Figure 8), much higher than the rise during the previous Popular Party government. The Prime Minister, José Luis Rodríguez Zapatero, has set a target of €800 in 2008.

The minimum wage directly affects only around 140,000 people but, according to trade unions, is used as a reference for setting the salary of an estimated one million people.

Figure 8. Minimum Wage, 2004-08 (1)

Year	% rise	Monthly amount	Yearly amount
2004	2.10	460.5	6,447
2005	11.40	513	7,182
2006	5.40	540.9	7,572.6
2007	5.15	600	8,400
2008	4.0	624	8,736

(1) Based on 14 payments.

Source: Labour Ministry.

Madrid Stock Market Plunges in 2008

The Ibx-35 benchmark index of the Madrid stock market fell by almost 40% in 2008, more than London's FTSE 100 and New York's Dow Jones, but less than other markets (see Figure 9). The Spanish market fell 7.6% in the first three weeks of January compared with a fall of 7.3% in the FTSE 100 and 5.6% in the Dow Jones.

Figure 9. Stock Market Indices, 2008 (% Fall)

Index	(%)
Dax (Frankfurt)	-40.37
Ibex-35 (Spain)	-39.43
Dow Jones	-34.65
Euro Stoxx 50	-44.28
FTSE 100 (London)	-31.97
Nikkei (Tokyo)	-42.12

Source: Markets.