

Inside Spain Nr 178

17 November - 16 December 2020

William Chislett

Summary

COVID-19 incidence rate drops to almost 200, but still far from target of 25.

New education law reignites language wars.

Pro-independence Catalan parties set to win 50% of votes in upcoming election.

Government secures sufficient votes for parliament's approval of 2021 budget.

Spain in 14th position in new human development index

Domestic Scene

COVID-19 incidence rate drops to almost 200, but still far from target of 25

Spain's 14-day cumulative number of COVID-19 cases per 100,000 population, a key measure of the state of the pandemic, dropped from a second-wave high of 529 on 9 November to 201 on 16 November (see Figure 1). But it was still far from the government's target of 25, amid fears of a third wave in January if people dropped their guard during an easing of restrictions over the Christmas period.

Figure 1. Confirmed COVID-19 cases per 100,000 people in past 14 days in selected countries (1)

	Cases
Spain	201
France	241
Germany	356
United Kingdom	367
Italy	414
Portugal	515
United States	898

(1) At 16/XII/2020.

Source: CSSE (Johns Hopkins University) and Spain's Health Ministry.

The incidence rate varied between 307 in the Balearic Islands and 124 in the Canary Islands (see Figure 2).

Figure 2. Coronavirus (COVID-19) cases by Spain's regions (1)

	Notified cases (PCR test)	Cases per 100,000 people in past 14 days	Deaths
Andalucía	249,714	136	4,656
Aragón	76,714	219	2,516
Asturias	25,864	209	1,258
Balearic Islands	28,563	307	432
Basque Country	105,231	267	2,771
Canary Islands	24,036	124	370
Cantabria	16,897	217	355
Castilla y León	127,984	180	4,900
Castilla-La Mancha	92,514	244	3,976
Catalonia	324,940	215	8,475
Extremadura	30,364	141	1,020
Galicia	55,467	170	1,306
Madrid	369,522	248	11,619
Murcia	56,997	142	687
Navarre	41,074	197	928
La Rioja	17,429	201	576
Valencia	122,452	239	2,651
Spain (2)	1,773,290	201	48,596

(1) Figures at 16/XII/2020.

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

Source: Health Ministry.

The Health Minister, Salvador Illa, said a vaccination programme will start in January and by the end of the summer more than two-thirds of the population of 47 million should be vaccinated. Spain should achieve herd immunity by the end of summer if enough people are vaccinated by then.

The National Statistics Institute (INE) raised the number of people who died from COVID-19 between March and May to 45,684, 18,557 more than the Health Ministry's figure of 27,127 confirmed by a diagnostic test. Not all people who died of COVID-19 in the first wave of the pandemic were tested for the virus. COVID-19 was the main cause of death in the first five months of the year: one out of every three victims between March and May was either diagnosed with the coronavirus or had symptoms compatible with the illness. INE obtained the figures from death certificates.

In Madrid, one of the worst affected territories, the regional government opened part of a new 1,000-bed emergency hospital for COVID-19 patients, built in 100 days at a cost of €100 million, double the original budget, with no operating theatres and beds for only 'mild' cases or those in a terminal condition. Moreover, the hospital is not needed at the moment as the number of new cases of coronavirus is waning. It could be, however, if there is a third wave.

Health workers' unions said the money would have been better spent on improving the existing public health system.

New education law reignites language wars

Congress narrowly approved a new education bill, the eighth in the last 40 years and yet again with no consensus across the wide political spectrum. Its most conflictive measure is the elimination in a previous law of a reference to Spanish as the language of instruction in classrooms. The bill was passed with 177 votes in favour, 148 against and 17 abstentions.

Viewing this change as a concession to Catalan pro-independence parties, supporters of the Popular Party (PP), the hard-right VOX and Ciudadanos took to the streets in their cars displaying the Spanish flag and honking horns.

PP MPs stood up in Congress and chanted 'Freedom! Freedom!' to signal their disapproval with the contents of the 'sectarian' bill, described as 'the biggest attack on education of our entire democratic history'.

Castilian Spanish is no longer the *lengua vehicular* (a term introduced by the PP government in 2013), which in Catalonia, ground zero of the language conflict, it effectively ceased to be more than 20 years ago under the regional government's policy of linguistic immersion which made Catalan the main language of instruction. Nearly all classes in schools are taught in Catalan. One quarter of them are supposed to be in Castilian Spanish, including classes of Spanish in Spanish, but this does not always happen.

The PP, the main opposition, is likely to appeal the law, which still requires the Senate's forgone approval, before the Constitutional Court and said it would overturn it when back in power, as has happened with every switch of government between left and right in the contentious field of education. The government has sufficient support in the Senate.

Opponents say the new situation is more than a matter of semantics as it sends the wrong signal to nationalists in Galicia and the Basque Country, regions with their own languages, and Valencia, whose language is similar to Catalan. It also makes it more difficult for Catalan parents to take the issue of teaching in Spanish to the courts.

Other reforms include measures to ensure that students from low-income families are better represented in *concertado* schools (semi-private schools subsidised with public money, mostly run by the Roman Catholic Church and attended by around 25% of students).

State schools account for 93% of schools in the poorest districts and 46% in the richest, *concertados* for 6% and 24%, respectively, and private ones 1% and 29%, according to official statistics.

City councils will no longer be able to cede public land for the construction of education centres that are not state run. The academic value of religion will also be removed as the subject will stop counting towards grades.

The Episcopal Conference, to which all bishops belong, denounced the restrictions on *concertados* and said it would support appeals against the legislation.

The minority Socialist-led coalition, supported in parliament by Catalan and Basque nationalists, says the legislation is 'modern, equitable and inclusive'.

It will also be more difficult for students to repeat a grade, a factor that demotivates students and is behind Spain's still very high early school-leaving rate (at the age of 16) of more than 17%, well above the 10% benchmark set by the EU for 2020 (see Figure 3). Around 30% of 15-year-old students repeat a grade, nearly double the average of other developed countries. The decision on whether a student must repeat a grade will no longer just depend on whether they have failed more than two subjects at the end of the school year.

Figure 3. Early leavers from education and training (% of population aged 18-24)

	2019	2006
Spain	17.3	30.3
Italy	13.5	20.4
UK	10.9	11.3
Portugal	10.6	38.5
EU-28	10.3	15.3
Germany	10.3	13.7
France	8.2	12.4

Source: Eurostat.

The conflict over the changes in education coincided with the release of the latest figures on proficiency in English, which showed Spain had slipped to 34th place out of 100 countries, the worst in the EU. The ranking is based on test results in countries that do not have English as a national language (see Figure 4).

Spain scored 537, placing it in the ‘moderate proficiency’ group, and was overtaken by Italy, which climbed three places. Portugal was ranked 7th.

Figure 4. EF English Proficiency Index

Ranking out of 100 countries	Score
1. Netherlands	652
7. Portugal	611
8. Germany	616
14. Hungary	598
16. Poland	596
28. France	559
30. Italy	547
34. Spain	537

Source: Education First.

Fourth grade students (9-10-year-olds) also performed worse in the latest TIMSS science achievement tests than in the last one in 2015. Spain scored 511 in science, down from 518, and 502 in mathematics compared to 505 (see Figures 4 and 5).

Figure 5. International science achievement, fourth grade, average scale scores

	Average scale scores
Singapore	595
Finland	555
OECD average	526
England	537
Germany	518
Spain	511
Italy	510
Portugal	504
France	488

Source: TIMSS & PIRLS.

Figure 6. International mathematics achievement, fourth grade, average scale scores

	Average scale scores
Singapore	625
England	556
OECD average	527
Finland	532
Portugal	525
Germany	521
Spain	502
France	485
Italy	515

Source: TIMSS & PIRLS.

Only 4% of students received the high score in science, compared to 38% in Singapore and 29% in South Korea.

According to Dirk Hastedt, Director of the International Association for the Evaluation of Educational Achievement (IEA), which is responsible for the reports since 1995, a drop of seven points, as is the case for Spain in science, is worrying.

One factor behind the fall is teacher preparedness. According to an IEA survey, 82% of science teachers said they needed more training in technology and new teaching methods.

'Deplorable' migrant camp dismantled in Canary Islands

Authorities shut down a makeshift camp at Arguineguín which accommodated at one stage up to 2,600 migrants who had made the perilous Atlantic crossing from Africa. More than 20,000 people have arrived in the Canary Islands so far this year, 10 times the number in 2019 and 8,157 of them in November alone.

A judge who visited the camp described it as 'deplorable.' People at the camp were moved to a new site in a former military base and to hotels.

More than 560 people have died on the Atlantic route this year, according to the International Organisation for Migration. Eight people died last month when their boat ran into rocks as they attempted to land on Lanzarote.

The central government in Madrid does not want to transfer the migrants to the Spanish mainland as it would create a beacon effect. It hopes to repatriate as many migrants as it can to their countries of origin.

Pro-independence Catalan parties set to win 50% of votes in upcoming election

The four Catalan parties pressing for the region to be independent will for the first time win just over 50% of the votes in February's election in Catalonia, according to a survey by the Catalan government.

The election follows the Supreme Court's ruling last September barring Quim Torra, the former Premier of Catalonia, from public office for 18 months for disobedience for failing to remove banners calling for the release of jailed pro-independence leaders from a public building during an election campaign. Deputy Premier Pere Aragonès took Torras's place. The election has to be held by 14 February and not by next December, when the Catalan government's four-year term would normally expire.

Republican Left of Catalonia (ERC), Together for Catalonia (JxCat,) Popular Unity Candidacy (CUP) and the Catalan European Democratic Party (PDeCAT) are set to win 50.8% of the votes, up from 47.5% in the December 2017 election (see Figure 7). Secessionist parties currently have 70 of the parliament's 135 seats and this would increase to 75.

That election was called by the previous Popular Party central government of Mariano Rajoy after it dissolved the Catalan parliament, following the illegal referendum on secession and parliament's unilateral declaration of independence. Nine politicians and activists were jailed for between nine and 13 years in October 2019 after they were found guilty of sedition.

Figure 7. Catalan parliament elections, 2021 forecast and 2017 results (number of seats)

	2021	% of votes	2017	% of votes
Republican Left of Catalonia (ERC)	36-37	24.4	32	21.4
Together for Catalonia (JxCat)	28-30	18.7	34	21.7
Popular Unity Candidacy (CUP)	6-8	5.3	4	4.5
Catalan Socialist Party (PSC)	22-23	16.8	17	13.9
Ciudadanos (Cs)	13-14	10.0	36	25.4
Catalunya en Comú-Podem	7-9	7.2	8	7.5
Popular Party (PP)	8-9	7.0	4	4.2
VOX	7-8	6.4	0	0
Catalan European Democratic Party (PDeCAT) (1)	0	2.4		

(1) PDeCAT was part of JxCat in the 2017 election but has since split from it.

Source: CEO, Catalan Government for 2021 forecasts and Catalan government for 2017 results.

The seemingly more pragmatic ERC would win 37 seats, five more and the largest number, at the expense of JxCat, weakened by the departure from it of the more maximalist PDeCAT, which has split from it and will run on its own. ERC's former leader and Deputy Premier, Oriol Junqueras, is serving a 13-year sentence for sedition, while the former leader of PDeCAT and Premier, Carles Puigdemont, is in self-imposed exile in Belgium.

The big loser will be the liberal anti-secessionist Ciudadanos (Cs), whose number of seats will plummet from 36 in 2017, the largest number, to 13-14. The hard-right VOX will enter the Catalan parliament for the first time with up to eight seats and the Popular Party would double its seats to nine. These three parties were going to run on a common ticket, known as España Suma, but Cs pulled out.

Deputy Prime Minister Pablo Iglesias, leader of the hard-left Unidas Podemos and the junior partner in the coalition government, is calling for the jailed separatists to be pardoned 'as soon as possible' and before the Catalan elections. The government is studying the issue and also changing the law on what constitutes sedition. The sentences handed out to the nine are widely viewed as harsh by the standards of other EU countries. It is by no means certain the judiciary will agree to pardons.

In another move towards Catalonia, the central government lifted its control of the region's finances, imposed in 2015 by the Popular Party administration in order to ensure that public money was not used for anything linked to pro-independence activities.

King Juan Carlos settles €678,393 tax bill

King Juan Carlos, who abdicated in 2014 and left Spain in August 2020 under something of a cloud, voluntarily settled back taxes of €678,393 including interest and fines, reportedly linked to illegal credit card transactions, in order to avoid being charged.

The tax bill followed the discovery that he had used 'opaque' funds between 2016 and 2018 when his inviolability was no longer protected by the constitution. The funds are under investigation and came from a Mexican businessman friend. In at least two years, the amount used was more than €120,000, the limit without incurring in a tax offence.

Voluntary regularisation can be submitted at any time before the Tax Agency opens an investigation or a judge issues a summons to testify.

Spanish and Swiss prosecutors have opened several investigations into don Juan Carlos, including those linked to a high-speed contract in Saudi Arabia awarded to Spanish companies. He has been living in the United Arab Emirates since he left Spain, and made it clear he is at the disposal of the tax service and the justice system.

The hard-left Unidas Podemos, the junior partner in the Socialist-led coalition government is using don Juan Carlos's deeds to push the cause of imposing a Republican government. The last one (1931-39) ended with General Franco's victory in the Civil War and a dictatorship until his death in 1975 when the Bourbon monarchy was restored under don Juan Carlos, whose grandfather, Alfonso XIII, voluntarily went into exile in 1931.

Franco's family hands over home to the state

The descendants of General Francisco Franco finally handed over the palace in Galicia, which the dictator took possession of in 1938 during the country's Civil War, after losing a long-running court battle.

A judge ruled that the Pazo de Meirás had not been given to Franco after it was bought by public subscription 'but to the head of state' and that the formal purchase of the property in 1941 was fraudulent.

Franco's relatives had to leave behind 637 items listed in a 1,000 page inventory amid concerns they would disappear, including royal tapestries, 12th century sculptures and a painting by Ignacio Zuloaga.

The Economy

Government secures sufficient votes for parliament's approval of 2021 budget

Spain finally has a budget for 2021 and not another election, as happened in April 2019 when that year's budget was rejected, forcing Spaniards to the polls.

As well as the 155 lawmakers of the Socialist-led minority coalition government, the budget was also backed by 33 other MPs. The 188 MPs in favour out of Congress's 350 was 12 more than an absolute majority and 21 more than the government won in January when it was formed by a simple majority on a second vote, following the inconclusive November 2019 election (see Figure 8). The Senate's approval of the budget by the end of the year is a foregone conclusion.

The broader support strengthened the coalition and enables the government to last its full four-year term until November 2023 unless it decides to call an early election. Spain has had four elections since 2015.

Figure 8. Parties supporting and opposing the 2021 budget and their number of seats in Congress

	Number of seats
Supporting	
Socialists	120
Unidas Podemos	35
Republican Left of Catalonia	13
Basque Nationalist Party	6
EH Bildu	5
Catalan European Democratic Party	4
Teruel Existe	1
Más País	2
Compromís	1
Regionalist Party of Cantabria	1
Opposing	
Popular Party	89
VOX	52
Ciudadanos	10
Together for Catalonia	4
Popular Unity Candidacy	2
Canarian Coalition	2
Navarra Suma	2
Galician Nationalist Bloc	1

Source: Congress.

The backing involved intense horse trading. The concessions made to the various parties included eliminating Castilian Spanish as the language of instruction in schools (the pro-independence Catalan Republican Left); moving prisoners of the Basque terrorist group ETA closer to the Basque Country (EH Bildu, the political heirs of ETA); not raising the tax on diesel (Basque Nationalist Party); transferring control of the military barracks in Loyola from the Defence Ministry to the San Sebastián Town Hall to be used as housing (Basque Nationalist Party and EH Bildu); and a commitment to harmonise taxes between regions in order to stop Madrid's supposed 'disloyal competition' (Catalan Republican Left). Inheritance tax in Madrid, for example, is zero.

The tax problem is not Madrid, says the economist Luis Garicano, an MEP for Ciudadanos, as it is one of only three autonomous regions that is a net contributor to the Guarantee Fund for Essential Public Services along with Catalonia and the Balearics, but the Basque Country and Navarre, which have their own tax systems and do not participate in the common fund for the 15 other regions. Their tax rate for SMEs, for example, is five percentage points lower.

The Popular Party, the hard-right VOX and Ciudadanos are angry at the pacts with the Catalan Republican Left and with EH Bildu, as are some prominent Socialists including Felipe González, the former Socialist Prime Minister (1982-96), who, in reference to Bildu, said he would not 'deal with those who want to destroy the country'. Bildu's leader, Arnaldo Otegui, was an ETA member in his youth. As Bildu has become part of the political system, the government says it is legitimate to include them in negotiations.

The budgetary success is the first such victory for Prime Minister Pedro Sánchez since he came to power in 2018. The government has been operating largely under the budget of the previous Popular Party government.

Approval of the 2021 budget will unlock the €140 billion Spain expects to receive from the EU's €750 billion coronavirus recovery fund. The 2021 budget includes €27 billion which Spain will borrow against the prospective grants from the bloc.

The budget sets a fiscal deficit of 12.2% of GDP, the highest in the EU. Taxes will rise for the wealthiest, pensions and salaries of civil servants will increase by 0.9%, despite negative inflation, and social spending will surge.

The government's GDP growth forecasts made in October are optimistic, according to the OECD. While the government expects growth of 7.2% next year and 9.8% including the impact of the EU recovery funds, the OECD puts expansion at 5%, due to the effect of the second coronavirus wave.

The pandemic pushed up the number of registered unemployed in November by 25,269 to 3.85 million. This figure excludes 746,900 people on the ERTE job retention scheme, compared with 3.5 million in the early months of the pandemic, but they are included in the number of social security contributors, which surpassed 19 million for the first time since the first state of emergency was declared in March.

The hardest hit are the under 25s, whose unemployment rate was more than 40% in October (see Figure 9).

Figure 9. Youth unemployment (under 25s) (%)

	%
Spain	40.4
Italy	30.3
Portugal	23.9
France	20.7
EU-27	17.5
UK	14.1
Germany	6.0

Source: Eurostat.

Coronavirus is also taking its toll on the financial health of companies, almost one-fifth of which could be insolvent by the end of the year, according to the Bank of Spain's worst-case scenario. The government has extended until March restrictions on forced bankruptcies.

Spain's discretionary fiscal measures are not the most generous among EU countries (see Figure 10), although companies have been among the most active in applying for state-backed credit and liquidity lines, much more so than, for example, Germany (see Figure 11).

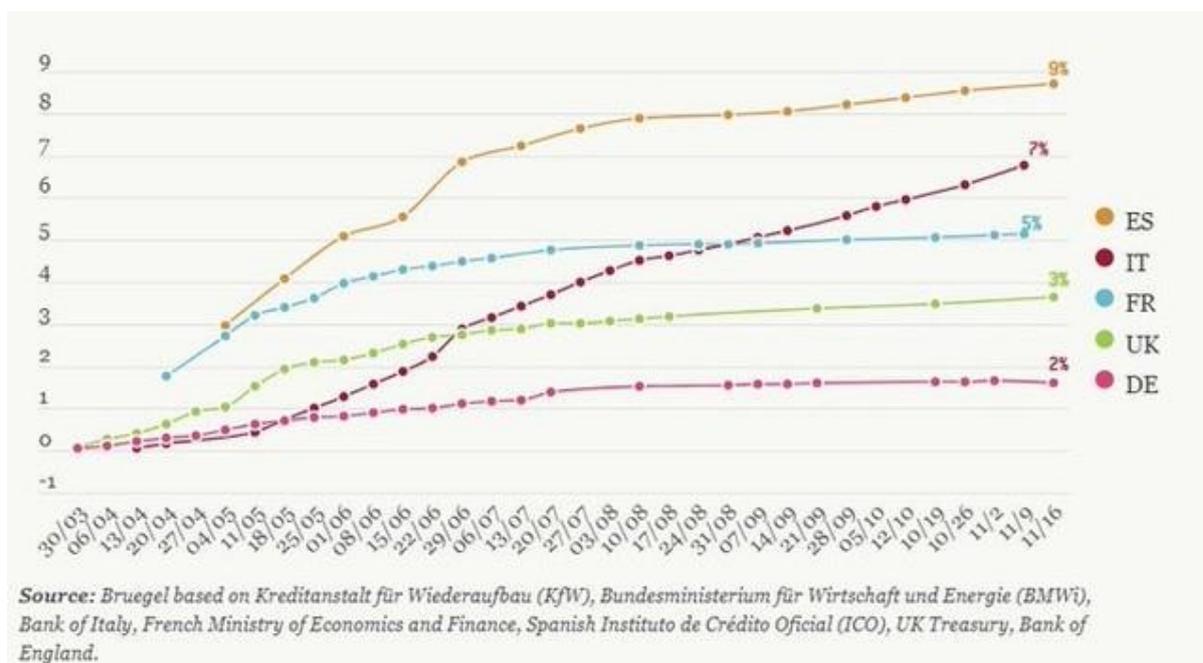
Figure 10. Discretionary 2020 fiscal measures in response to coronavirus (% of 2019 GDP)

	Immediate fiscal impulse	Deferral	Other liquidity/guarantee (1)	Last update
Belgium	1.4	4.8	21.9	23/X/2020
Denmark	5.5	7.2	4.1	1/VII/2020
France	5.1	8.7	14.2	5/XI/2020
Germany	8.3	7.3	24.3	4/VIII/2020
Greece	3.1	1.2	2.1	5/VI/2020
Hungary	0.4	8.3	0.0	25/III/2020
Italy	3.4	13.2	32.1	22/VI/2020
Netherlands	3.7	7.9	3.4	27/V/2020
Portugal	2.5	11.1	5.5	4/V/2020
Spain	4.3	0.4	12.2	18/XI/2020
UK	8.3	2.0	15.4	18/XI/2020
US	9.1	2.6	2.6	27/IV/2020

(1) Includes only government-initiated measures (excludes central bank measures) and shows the total volume of private sector loans/activities covered, not the amount the government put aside for the liquidity support or guarantee (the amount of which is multiplied to cover a much larger amount of private sector activity).

Source: Bruegel.

Figure 11. Government-backed credit support for businesses as a % of 2019 GDP



Spain in 14th position in new Human Development Index

Spain was ranked 14th out of 189 countries in the UN's new planetary pressures-adjusted Human Development Index (PHDI), which takes into account indices measuring carbon dioxide emissions per capita and material footprint per capita, up from 25th in the traditional Human Development Index (HDI) (see Figure 13).

Figure 13. Planetary pressures-adjusted Human Development Index (PHDI)

HDI rank	HDI value 2019	PHDI value 2019	Difference from HDI rank
1. Norway	0.957	0.781	-15
6. Germany	0.947	0.814	-1
13. UK	0.932	0.825	+10
17. US	0.926	0.718	-45
25. Spain	0.904	0.795	+11
26. France	0.901	0.801	+16
29. Italy	0.892	0.792	+12

Source: Human Development Report 2020, United Nations.

The HDI value, formulated 30 years ago and based on life expectancy at birth, means years of schooling, expected years of schooling, and per capita income, rose from 0.893 to 0.904. The maximum value is one.

If a country puts no pressure on the planet, its PHDI and HDI would be equal. This is almost the case of Costa Rica. The material footprint measures the amount of material extracted (biomass, fossil fuels, metal ores and non-metal ores) to meet domestic final demand for goods and services, regardless of where extraction occurs. It is a consumption-based measure that accounts for international trade and indicates pressures on the biosphere exerted by socioeconomic activities.