



Inside Spain 54

William Chislett

Foreign Policy

Spain Offers to Take Guantánamo Prisoners

The Spanish Foreign Minister, Miguel Ángel Moratinos, has told the US Secretary of State, Hillary Clinton, that Spain is prepared to take some of the inmates released from the Guantánamo Bay military camp.

Moratinos met Clinton in Washington and said Spain would consider taking prisoners on a case-by-case basis and only under acceptable legal conditions. President Barack Obama is committed to closing the camp by January 2010.

As well as pulling out in 2004 the 1,300 peace keeping troops sent to Iraq by José María Aznar, the former Prime Minister, Prime Minister José Luis Rodríguez Zapatero has been a vocal critic of Guantánamo.

Just as Rodríguez Zapatero's withdrawal of the troops strained relations with the US (Zapatero was one of the very few EU heads of government never invited to the White House by George W. Bush), helping the Obama Administration resolve the controversial Guantánamo issue would earn him kudos in Washington.

'We are prepared to cooperate', said Moratinos. 'Our teams will make contact to legally study each case'.

Some of the prisoners are expected to face trial in the US. Others cleared for release would need to be moved to third countries as their home nations cannot provide sufficient guarantees of safety as they have poor human-rights records.

The Obama Administration is hoping that Rodríguez Zapatero will strengthen Spain's military presence in Afghanistan, where it currently has close to 800 peacekeeping troops under a United Nations mandate and with tight rules of engagement. This is a much more sensitive issue for the government than taking Guantánamo inmates.

Obama announced last month the sending of 17,000 more US troops to Afghanistan. The brunt of the fighting against the Taliban is being borne by US, UK, Canadian and Dutch troops in the southern part of the country, although violence is escalating throughout the whole country. Twenty-nine American troops and 12 British troops were killed in Afghanistan in the first two months of 2009, far more than in the same period of 2008.

Spain and Russia in Energy Pact

Spain will receive its first supplies of gas from Russia in 2014, following an agreement between Gazprom and Gas Natural at the end of an official visit to Madrid by President Dmitry Medvedev.

Liquefied natural gas will come from the Shtokman gas field in the Arctic, one of the largest in the world, which is intended to supply the Nord Stream gas pipeline from Russia to Germany currently being built under the Baltic Sea.

Gazprom has a 51% stake in the project, while France's Total and Norway's StatoilHydro have 25% and 24%, respectively. Gazprom is considering inviting Spanish companies, in particular Repsol, to join projects to produce and liquefy natural gas in Russia.

José Luis Rodríguez Zapatero, the Prime Minister, said the energy cooperation agreement, which covers oil, gas, coal and renewables, would lead to 'greater energy security for Spain'.

Spain receives the bulk of its gas from Algeria and was not affected by the dispute which left many European nations questioning Russia's reliability as an energy supplier.

The two countries also signed an agreement allowing the transit of military equipment and staff through Russia to Spanish troops in Afghanistan. This deal was reached last April, but Russia's war against Georgia in August prevented it from being fully put into practice.

Medvedev's visit to Spain was the first bilateral visit to a European country since Russia's conflict with its ex-Soviet neighbour. Moscow and Madrid hold similar positions on several foreign policy issues. Spain is one of only five nations in the EU-27 which, like Russia, has not recognised the independence of Kosovo.

Rodríguez Zapatero Invited to the G-20 Summit in London

As expected, Prime Minister José Luis Rodríguez Zapatero will attend the G-20 summit in London on 2 April, hosted by Gordon Brown, the UK Prime Minister.

Although Spain is not a member of the G-20 or of the G-8, Rodríguez Zapatero attended the summit in Washington last November, thanks to Nicolas Sarkozy ceding one of the two seats that France qualified for. France is a G-7 member and at that time also held the EU Presidency.

Spain's main contribution at the summit will be its much lauded financial system that has enabled the country's banks to emerge relatively unscathed from the global crisis, at least so far, and which could be a model for other countries. In 2000, when the economy was booming, the Bank of Spain introduced the concept of anti-cyclical loan-loss provisions, which have provided a substantial cushion for the sharp rise in bad debts in the current recession. In essence, provisions are stored during the good times and used when the going gets rough.

In recognition of this system, Spain was admitted this month to the Financial Stability Forum, convened in April 1999 to promote international financial stability through information exchange and international co-operation in financial supervision and surveillance. This body is playing a key role in proposing reforms for the financial sector.

And will Join Obama at the 'Alliance of Civilisations' Meeting in Istanbul

Four days after the G-20 summit, on 6 April, José Luis Rodríguez Zapatero will meet President Barack Obama again, this time at the second annual meeting of the United Nations 'Alliance of Civilisations', the body created in 2005 to advance intercultural understanding at the initiative of the Turkish Prime Minister, Recep Tayyip Erdoğan, and Rodríguez Zapatero.

Obama's visit to Turkey will be his first bilateral trip in Europe since taking office, underscoring the strategic importance for the US of this Muslim country and EU candidate.

Rodríguez Zapatero will also be visiting Turkey for the first annual summit between the Turkish and Spanish governments, to be held before the Alliance meeting. He will have spent more time with Obama during April than in the preceding five years with George W. Bush.

Visit to Gibraltar by UK Royal Irks the Government

The three-day visit of Princess Anne, the eldest daughter of Queen Elizabeth II, to Gibraltar, the British overseas territory over which Spain claims sovereignty, drew a rebuke from the government. Miguel Ángel Moratinos, the Foreign Minister, expressed his 'consternation and indignation' to David Miliband, the UK Foreign Secretary, and said the visit 'hurt the sensitivity' of Spaniards.

Relations between Spain and the UK over Gibraltar have considerably improved under the trilateral forum set up in 2004 to air grievances. Nevertheless, such visits irk Madrid. This was the second time the Princess had visited the Rock in five years. In 2004 she marked the 300th anniversary of British rule over Gibraltar.

José Ignacio Landaluce, a Popular Party deputy who sits on the Spanish Parliament's Foreign Affairs Commission, said: 'The visit of a member of the British Royal Family to Gibraltar shows their total support for the sovereignty of this British colony. This is something to which we are totally against. It is an affront to Spain'.

José Carracao, a Socialist senator who sits on the Foreign Affairs Commission in the Spanish Parliament's upper house, said the visit was 'bound to prove controversial in a territory of doubtful sovereignty'.

Spain Reaffirms its Refusal to Recognise the Independence of Kosovo

José Luis Rodríguez Zapatero, the Prime Minister, told Boris Tadic, Serbia's President, during his visit to Madrid that Spain would maintain its refusal to recognise the independence of Kosovo. Spain is one of five EU-27 countries that does not recognise Serbia's unilateral declaration of independence just over a year ago.

Miguel Ángel Moratinos, the then and current Foreign Minister, said Spain would not recognise the secession because it ‘does not respect international law’, adding that to be legal, secession required either an agreement between the parties or a UN Security Council resolution. The Popular Party supported the government’s decision.

Madrid’s decision is also to some extent influenced by the movements for independence in the Basque Country, where the separatist terrorist group ETA has been waging a 40-year struggle, and in Catalonia where the Republican Left Party openly advocates independence.

Domestic Scene

Nationalists Lose Power in Basque Country, Popular Party Wins in Galicia

The Socialists, backed by the conservative Popular Party (PP), looked set to form the next regional government in the Basque Country after the Basque Nationalist Party (PNV) again won the most seats in the 1 March election but not enough to continue to form the government (see Figure 1). This would be the first time in 29 years that a non-nationalist party has led the Basque government and it could have far-reaching consequences for a region wracked by the violence of the Basque terrorist group ETA.

Figure 1. Results of Elections in the Basque Country, 2009 (1)

	% of vote	Number of seats
Basque Nationalist Party (PNV)	38.5 (38.6)	30 (29)
Basque Socialist Party (PSE-EE)	30.7 (22.6)	25 (18)
Popular Party (PP)	14.0 (17.4)	13 (15)
Aralar	6.0 (2.3)	4 (1)
Eusko Alkartasuna (EA)	3.6 (–)	1 (–)
Ezker Batua (EB)	3.5 (5.3)	1 (3)
Unión Progreso y Democracia (UPyD)	2.1 (–)	1 (–)
Communist Party of the Basque Lands (2)	– (12.5%)	– (9)

(1) 2005 results in brackets.

(2) Banned party.

Source: Interior Ministry.

The crucial 38-seat majority in the 75-seat parliament went to the Socialists, with 25 seats, the PP, with 13 seats, and the new Progressive Union and Democratic Party, with one. The Socialists’ share of the vote increased by one-third to 31% and the combined non-nationalist share of the vote was close to 50% (see Figure 2). The PNV held its share of the vote but lost one seat and its coalition partners did not do so well. Aralar, the pro-independence left-wing party that rejects violence, quadrupled its number of seats to four.

For the first time, radical political parties linked to ETA were banned from running in the elections. Had their votes counted, the PNV would have been able to stay in power. In the 2005 election, one of these banned parties won 150,000 votes. Around 100,000 blank votes were cast this time as a form of protest. Voter turnout was 65.8%, down from 68% in 2005.

Figure 2. Elections in the Basque Country, Nationalist and Non-Nationalist Results (% of total votes)

	1980	1984	1986	1990	1994	1998	2001	2005	2009
Nationalist parties	64.3	64.3	67.6	65.5	55.4	53.9	52.4	53.1	50.4
Non-nationalist parties	31.5	33.7	30.9	31.5	42.7	44.1	46.2	45.4	48.3

Note: The main non-nationalist parties are the Socialists and the Popular Party. The principal nationalist party is the Basque Nationalist Party and various other much smaller parties, some of which were outlawed for their links with the terrorist group ETA and then re-appeared under different names. Two pro-ETA parties were banned from taking part in the 2009 elections, making it the first time in a Basque regional election that the group did not have parties backing its cause.

Source: Interior Ministry.

In the north-western Galicia region, Spain's nationally-governing Socialists lost power to the PP (see Figure 3). The polls in both regions were the first political test for Spain since it slid into recession at the end of 2008.

Figure 3. Results of Elections in Galicia, 2009 (1)

	% of vote	Number of seats
Popular Party	47.1 (45.0)	39 (37)
Galician Socialist Party	29.9 (33.0)	24 (25)
Galician National Block	16.5 (18.5)	12 (13)

(1) 2005 results in brackets.

Source: Interior Ministry.

The Basque branch of the Socialists, led by Patxi López, planned to form a minority government on its own with the support in parliament of the PP. The price of the PP's support was not yet known. The two parties, however, are far from being natural allies; they have long been at loggerheads over how to deal with ETA which has killed more than 800 people in its 40-year struggle for an independent Basque Country. The PP fiercely opposed the overtures made by the previous Socialist government (2004-08) to strike a peace deal with ETA.

The formation of a Socialist government in the Basque Country could have a political cost for José Luis Rodríguez Zapatero as the PNV may stop supporting the Socialists in the national Parliament. The Socialists' 169 seats do not give it a working majority in the 350-seat Congress; the PNV's six seats have often been very useful for getting bills approved, along with the votes of the Catalan Convergence and Union (CiU) party.

Nationalists also lost power in Galicia where the Galician National Bloc had formed part of the previous government along with the Socialists. The PP captured back their traditional fiefdom, winning an absolute majority with 39 of the 75 seats, and is thus able to form a government again on its own.

The loss of power by nationalists in the Basque Country and Galicia, together with that of the CiU in Catalonia as of 2003, means that none of Spain's main regions are ruled by nationalist parties.

The PP's victory in Galicia was a welcome shot in the arm for the beleaguered party, several of whose prominent figures are under investigation for corruption, and particularly for its national leader, Mariano Rajoy, whose position, weakened by sniping from rivals, has been strengthened.

Justice Minister Resigns

Mariano Fernández Bermejo, the Justice Minister, threw in the towel after being criticised for going on a shooting trip with Baltasar Garzón, a prominent judge investigating alleged corruption in the Popular Party (PP). He was the first minister to quit his post since the Socialists took office in 2004.

The PP accused Fernández Bermejo, who did not have the required licence for shooting, of fomenting the probe by Garzón in order to discredit the whole party ahead of the regional elections in the Basque Country and Galicia. He was fined €2,000 by the Environment Ministry of the regional government of Andalusia.

Fernández Bermejo said he resigned because he could not 'tolerate the use being made of this against' the Socialist government and it was an 'untimely' coincidence that he and Garzón were on the same hunting trip.

The former minister was also under attack from the PP and from within the Socialist party over the unprecedented strike in February by members of the judiciary which brought many courts to a halt in a country where, at best, the justice system moves at a snail's pace because it is so overburdened with cases and under-resourced (see *Inside Spain* 53, 17 February 2009).

Francisco Caamaño, the Secretary of State for Relations with the Parliament, replaced Fernández Bermejo.

Government in Collision Course with the Roman Catholic Church over New Abortion Law

Women will be able to freely decide an abortion in the first 14 weeks of pregnancy, according to a draft bill which the country's highly conservative Roman Catholic Church hierarchy strongly opposes. Abortion was decriminalised in 1985 but, compared to many other European countries, it is offered in Spain under restricted circumstances and rarely in a public hospital.

Most abortions are carried out under a law requiring a doctor's diagnosis that the pregnancy poses a risk to the woman's mental health. Terminations are also allowed in the 12th week of pregnancy in cases of rape or until the 22nd in cases of severe foetus malformation. The new law would allow women to freely decide for themselves in the first 14 weeks (10 in Portugal, 12 in France and 24 in the Netherlands) and in the first 22 weeks if there is a serious health risk for the mother or a malformed foetus and no time limit if the foetus is 'incompatible with life'.

This law, expected to be approved by Parliament later this year, follows reforms by the Socialists which legalised same-sex marriage, eased divorce laws and introduced a civics course into schools, all of them opposed by the Church. Cardinal Tarcisio Bertone, the Vatican's Secretary of State, met Prime Minister José Luis Rodríguez Zapatero in Madrid last month and urged him to restrict and not expand abortion.

Private clinics that carry out more than 90% of abortions went on strike last year after some 25 women and doctors were arrested in raids on clinics in Madrid and Barcelona.

In the past decade, the number of legal abortions in Spain has doubled to more than 100,000 per year.

The Economy

Unemployment Almost Reaches 3.5 Million as Recession Deepens

The number of people out of work in February reached almost 3.5 million amid warnings of a deepening of the recession. BBVA, Spain's second-largest bank, forecast the economy would shrink 2.8% this year, the steepest fall in more than 70 years, and the unemployment rate would be close to 18% in December. Both figures are considerably more pessimistic than the government's estimates of -1.6% and 16%, respectively.

The jobless rate in February was already 15%, double the OECD average (see Figure 4). Spain's unemployment rate rose by close to 6 points in the year to January (the latest month for comparative figures) compared with an increase of 0.7 points in France and a drop of 0.4 points in Germany.

Figure 4. OECD Harmonised Jobless Rates and Change of Rates over the Same Period of the Previous Year

	2006	2007	2008	January 2009 (1)	% Change
OECD total	6.2	5.7	6.0	6.9	+1.3
Euro area	8.3	7.5	7.6	8.2	+0.9
France	9.2	8.3	7.8	8.3	+0.7
Germany	9.9	8.4	7.3	7.3	-0.4
Japan	4.1	3.9	4.0	4.1	+0.3
Spain	8.5	8.3	11.3	14.8	+5.8
US	4.6	4.6	5.8	7.6	+2.6

(1) Latest comparative figures.

Source: OECD.

The sharp rise in unemployment has led trade unions to call for greater job protection and more measures to stimulate the economy and the main employers association to call for labour market reforms. Spain has a very fragmented labour market, with 17 types of contract and 17 different dismissal costs. Severance payments range from 45 days per year of service for those on longstanding permanent contracts (57% of the total), high by European standards, to zero for those on temporary contracts (30% of the total).

Prominent private-sector economists, such as Guillermo de la Dehesa, the President of the Centre for Economic Policy Research, are calling for a national economic pact between all political parties, something that last happened in 1977 with the 'Moncloa Pact'.

The 62,107 cars sold in February was 49% lower than a year earlier and the lowest figure since 1993 when Spain had its last and much milder recession.

Paul Krugman, the Nobel prize economist, painted a gloomy future for Spain in a conference given in Seville. 'If the European Union grows by between 2% and 3% Spain faces a modestly painful situation for five to seven years, but if the European economy enters into deflation we are talking of wage and price cuts in Spain of more than 15% and this has not happened in any country since the Great Depression'. He said Spain's leeway in the economic sphere, as a euro zone member, was very limited.

The general government budget deficit in 2008 came in at 3.8% of GDP compared with a surplus of 2.2% in 2007 (see Figure 5). This is a very large negative turnaround in the state's finances. The element that deteriorated the most was the deficit of the regional governments which in 2008 was 1.45% of GDP, nine times higher than in 2007 (see Figure 6).

Figure 5. General Government Balance (% of GDP), 1995-2009

1995	1999	2000	2003	2004	2005	2006	2007	2008	2009 (1)
-6.47	-1.42	-0.98	-0.21	-0.34	+0.96	+2.02	+2.21	-3.8	-6.2

(*) Forecast.

Source: Economy and Finance Ministry.

Figure 6. Components of the General Government Balance (% of GDP), 2006-08

	2006	2007	2008
Central government	+0.69	+1.30	-2.74
Regional governments	-0.04	-0.16	-1.45
Local governments	+0.08	-0.23	-0.39
Social Security	+1.29	+1.31	-0.39
Overall balance	+2.02	+2.21	-3.82

Source: Economy and Finance Ministry.

Italy's Enel Secures Full Control of Endesa

The long struggle for the control of Endesa, Spain's leading electricity company, ended with Enel, the Italian energy group, acquiring from Acciona, the Spanish construction and energy group, its 25% stake for €11.1 billion. This gave Enel control of 92% of Endesa.

Acciona sold its stake less than two years after signing a management agreement with Enel to jointly control Endesa. Acciona and Enel joined forces in 2007 to drive Germany's E.on out of the hotly contested bid battle for Endesa. E.on's €42 billion bid for Endesa was opposed by the Spanish government, whose blocking tactics fell foul of European Commission antitrust rules.

The government had wanted an earlier bid for Endesa by Gas Natural, the Spanish gas group, to prosper as it would have created a national energy champion. The failure of this arrangement led it to support the take-over of Endesa by Acciona and Enel as a second-best Spanish solution.

The management teams of Acciona (family-controlled) and Enel, however, never saw eye to eye and their styles clashed. Furthermore, the heavily indebted Acciona was seeking ways to de-leverage and develop its renewable energy business.

Renewable Energy Generates One-third of Power

Abundant rain and strong winds enabled Spain to generate 30% of its electricity needs from renewable sources in February (see Figure 7), exceeding the target, albeit just in one month, set by the EU in 2001 for 2010.

Figure 7. Coverage of Energy Demand by Sources in February (% of total)

	% of total
Wind-power	15.8
Hydraulic	15.6
Combined cycle	21.3
Fuel + gas	0.6
Export	-2.6
Nuclear	20.9
Coal	14.3
Special regime (1)	16.2
Pumping consumption	-2.1

(1) Mini-hydraulic, co-generation, solar and biomass.

Source: Red Eléctrica.

A decade of investment, particularly in solar energy and wind-power, is beginning to pay off. Spain is heavily dependent on imported energy (see Figure 8).

Figure 8. Energy Dependence (imported energy as percentage of domestic consumption)

	2006(1)	2004	2000
Italy	86.8	84.6	87.3
Spain	81.4	77.6	76.7
Germany	61.3	61.1	59.9
France	51.4	50.8	51.1
UK	21.3	4.7	-16.8
EU-27	53.8	50.3	46.8

(1) Latest comparative figures.

Source: Eurostat.

Spain Continues to be Ranked Low in Innovation

Spain, which is striving to change its economic model from one based excessively on the construction sector to one that is more knowledge based, was ranked 39th in the latest innovation ranking by the World Economic Forum (see Figure 9).

Figure 9. Innovation Ranking

Country	Country	Country
1. US	8. Germany	15. Austria
2. Finland	9. S. Korea	16. France
3. Switzerland	10. Denmark	17. UK
4. Japan	11. Singapore	18. Iceland
5. Sweden	12. Netherlands	19. Norway
6. Israel	13. Canada	20. Australia
7. Taiwan	14. Belgium	39. Spain

Source: World Economic Forum, Global Competitiveness Report, 2008-09.

Spain's Billionaires Hit by the Property Crisis

There are six fewer Spaniards in the latest annual ranking of the world's billionaires by the US magazine *Forbes* than in last year's list, and the main reason is the slump in the property sector (see Figure 10).

The first ranked Spaniard was again Amancio Ortega, the head of Inditex, the clothing manufacturer and retailer. He moved from 22nd to 10th, with a net worth of US\$18.3 billion.

Figure 10. Spain's Billionaires in the Forbes Ranking (1)

Ranking and name	Company/Sector	Net Worth (US\$ bn)
10. Amancio Ortega	Inditex	18.3
246. Rosalía Mera	Inditex	2.6
296. Isak Andic	Mango	2.3
318. Alicia Koplowitz	Investment	2.1
376. Manuel Jove	Investment	1.9
397. Florentino Pérez	ACS	1.8
430. Esther Koplowitz	FCC	1.7
559. José María Aristrain	Steel	1.3
647. Alberto Alcocer	Investment	1.1
647. Alberto Cortina	Investment	1.1
647. Emilio Botín	Banco Santander	1.1
701. Enrique Bañuelos	Property	1.0

(1) Out of 793 people.

Source: Forbes.

Worldwide, 332 names were knocked off the list by the financial crisis.