

# AUSTERITY AHEAD

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SPANISH POLITICS?

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## HOW WILL A CONSERVATIVE VICTORY CHANGE SPANISH POLITICS?



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- The electoral defeat suffered by the ruling Socialist Party (*Partido Socialista Obrero Español*, PSOE) in the municipal elections and the prolonged financial crisis has forced Prime Minister Zapatero to call an early general election on 20 November.
- The Conservative People's Party (*Partido Popular*, PP) is ahead in the polls by a clear margin and is likely to gain an absolute majority in the parliament.
- The economic outlook for Spain looks bleak, which means that the new government will have to create new jobs quickly and push through harsh and unpopular reforms, particularly regarding the fiscal and administrative structures.
- The *Indignados* protest movement is gaining support, and looks set to challenge the legitimacy of the system and force the future government to produce speedy results.
- Spain is expected to enhance its role in international politics through pragmatic bilateral relations. In particular, relations with the US seem to be warming up, while Spain can turn to the UK and Poland in the EU for companionship.

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Protesters on the streets of Barcelona. Photo: Wiros / Flickr.com.

Spain is in deep trouble. Amid the uncertainty enveloping the global economy, the country is struggling to avoid another recession. Just recently in August, the European Central Bank (ECB) tried to tame the sovereign debt crisis by buying Spanish bonds, but according to the latest analysis by the Spanish Central Bank, the risk of a new slide is still high. The third quartile this year showed no economic growth and the figures are likely to turn negative in the fourth quartile. In practice, this would trigger a drop in industrial production and a rise in the unemployment figures from the already all-time record of 21% to 46% amongst young people – whereas inflation would remain slow. Consequently, Moody's downgraded the rating of ten autonomic communities and three big banks (Santander, BBVA and CaixaBank) in mid-October and lowered Spain's state-level credit rating to Aa2. This was bad news for the Spanish banks, whose poor performance lies at the heart of the Spanish economic crisis.

A persistent financial crisis has several knock-on social effects that drive the public to question the legitimacy of the political system. Spain's reduced fiscal income and leaky capital have led to a growing budget deficit, the grey economy has been flourishing, and the gap between rich and poor widening. Prime Minister José Luis Rodríguez Zapatero's government has been blamed for being inefficient and indecisive when tackling the emerging problems, which resulted in a resounding victory by the opposition in the May local elections. The undeniable loss of governmental legitimacy forced Zapatero to bring

forward the parliamentary elections from 2012 to this November. This decision means that a virtually impossible task awaits the new government: jobs need to be created by each and every means and harsh reforms regarding the leaking fiscal system and severely overlapping public administration structures are called for.

Meanwhile, frustration and anger are rising in the public at large. The so-called *Indignados* movement is a prime indicator of this discontent. Although it is not offering any concrete alternatives to the state-level policymaking, it is united in its perception that the current political system is not *de facto* democratic because it is too submissive to global economic powers. Even if the movement is merely channelling the frustration at present, it is certainly making social and political headway for more organised movements that may be better equipped to turn emotions into concrete political action. The big question is whether the new government can respond to the demands of the restless crowds, or whether the latter will be pushed to the margins of legality. In any case, the movement will be hard to ignore, since over 70% of the people already side with the criticisms that the movement is voicing.<sup>1</sup>

In the following sections the situation in Spain is analysed further and the political set-up for the forthcoming elections is described. Since the polls

1 *El País*, 23 October 2011.

are predicting that the socialist government is going to lose the election to the opposing conservatives by a clear margin, it is also possible to make tentative predictions about the policies of the next government. The focus here is on the measures that Spain is likely to impose in tackling the economic crisis and on its anticipated reshaping of the foreign policy.

### Political set-up for the upcoming elections

On 20 November, Spain will go to the polls to elect 350 deputies to the parliament and 208 senators to the senate. Geographically, Spain is divided into 52 electoral districts, which means that a relatively small number of deputies are chosen from each district. Votes are calculated according to the d'Hondt method. Both the district system and the vote calculation method tend to favour the large and regionally strong parties. In practice, this means two things: First, the party system has become increasingly bipolar between the centre-right PP and centre-left PSOE; and second, many regional parties, such as the Catalan centre-nationalist party Convergence and Union (*Convergència i Unió*, CiU), override some of the more popular parties nationally in terms of seats, like the United Left (*Izquierda Unida*, IU). The vote modality is one of closed and blocked lists. This makes the political system very party- and leader-centric, since it is normally the party leader and his or her closest trustees that choose the order in the lists and front the whole party. PP and PSOE usually make up roughly 80-90% of the seats in the parliament.

Opinion polls are forecasting a clear victory for PP – similar to the outcome in last May's municipal elections. Although the gap between the two biggest parties tends to narrow when polling day approaches, for the moment it seems that PP will gain 45 to 48% of the vote<sup>2</sup>, which would be enough for an absolute majority in the parliament. Such a victory would be historic, since in addition to winning control over the municipalities last May, PP would have more institutional power in the country than any other party in the past 33 years of democracy. This would make it easy for PP to push forward with any reforms.

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<sup>2</sup> Comparison between eight polls published on 21 October in [www.electrometro.es](http://www.electrometro.es).

Due to their comfortable lead in the polls and the confidence boost afforded by the spring success, previous disputes inside the party have been resolved and PP seems to be united behind its leader, Mariano Rajoy, who is facing his third general election as a prime ministerial candidate. Furthermore, since Zapatero's government has become so unpopular, PP has opted for a minimalist campaigning approach, which means that few half-hearted promises have been made and the electoral programme was published only a couple of weeks before the designated election day. According to the official party slogan, *Súmate al cambio* ("Join the change"), PP seems to be banking on being the only alternative to the current leadership.

In comparison to PP, PSOE is clearly the underdog in the upcoming elections. Zapatero's successor to the party leadership post, Alfredo Pérez Rubalcaba, needs to conduct a perfect campaign in order to prove to the public that his government could also lead the country out of the crisis. Traditionally, PSOE voters are more volatile than PP voters, and PSOE's challenge, once again, lies in finding a way to mobilize all of its potential supporters. This is now more difficult than ever before, since the growing *Indignados* movement is equally critical towards both big parties.

Consequently, PSOE has listened to the key message of the protests, which can be seen in the electoral programme of the party in that it includes several propositions on how the direct democracy could be enhanced and economic powers controlled. Rubalcaba has also been busy rallying around the country ever since he was chosen as party leader last summer. Nevertheless, Minister of the Interior in Zapatero's government and lifelong career politician that he is, Rubalcaba might lack credibility in the eyes of the protesting public, who see him as an "old school party elitist" and no different from the others.

Amid the jockeying for governmental power between PSOE and PP, the battle for the remaining seats in the parliament is more interesting than it has been in years. Traditionally, the third biggest party at the national level has been IU, but its position is now challenged by the new Union, Progress and Democracy Party (*Unión Progreso y Democracia*, UPyD). Politically, UPyD describes itself as progressive, rather than being on the left or the right, and is promoting the centralization of power from the

autonomies to Madrid. However, due to the electoral system, the number of voters at the national level will not necessarily be rewarded with a proportional number of seats in the parliament. Therefore the third biggest party will most likely be the regionally strong CiU, which could, in the event that PP fails to win an absolute majority, join forces with PP in the parliament in order to return PP's "favour" of supporting it in the Catalanian Parliament.

As always, the situation in the Basque Country is under the spotlight. The forthcoming elections are historic in the sense that they mark the first time in the history of Spanish democracy that terrorism is not a central issue. The Basque terrorist organisation ETA has been weakened with effective policing and social pressure from its main support group inside the Basque Country, to such an extent that it renounced a "definitive cessation of armed activities" on 20 October. This significant qualitative leap would not have been made had it not been for the separatist-leftist *Bildu* coalition's success in the May municipal elections. The momentum for peace also received the backing of several eminent international figures like Kofi Annan and Tony Blair.

Despite understandable scepticism among the conservatives, it seems that the Basque society itself is determined to end the terrorism for good, which gives little room for any revival of the ETA. The proceedings in the Basque Country will most likely lead to the biggest surprise of the elections: The *Bildu* and *Aralar* coalition will be able to bring the separatist left-wing politicians back to national politics for the first time since the illegalisation of the *Herri Batasuna* party in 2003 and, if the polls are anything to go by, it might obtain up to five seats in the national parliament. Such a success would make it the fourth or fifth biggest party in the parliament.

### **Spanish domestic policy in the leadership of the conservatives**

Given that PP has an evident lead in the polls and is slated to win the elections and assume governmental power, provided that nothing really unexpected happens, some rough outlines of future Spanish policies can already be drawn. Irrespective of the election victor, the new government has to be able to tackle the growing unemployment and make harsh and unpopular decisions to reduce the budget

deficit. As a result, the actual differences between the economic policies of PP and PSOE would not be as substantial as the difference between their public images might imply. The most urgent task of the new prime minister will be to create jobs in order to alleviate the public frustration caused by unemployment and growing poverty. Only after that will fiscal and administrative reforms be introduced.

PP's electoral programme is intentionally somewhat ambiguous and imprecise where figures are concerned. Nevertheless, it is evident that Rajoy will pursue further austerity in public structures. For the time being, there is a lot of overlap between the municipal, autonomic and state-level administration, which needs to be sorted out. The policies of the two biggest parties are at odds over this issue. Whereas PSOE is more federalist, PP is strongly centralist. Under Rajoy's leadership, much of the power already given to the autonomies will most likely be removed and transferred to Madrid. The exceptions will be the Basque Country and Catalonia because they are too difficult to touch politically, even if PP were to gain an absolute majority in the parliament. Another sensitive topic that PSOE has tried to use against PP is related to the public health care and education sectors. Although PP has already cut the expenditure in these sectors at the municipal level, Rajoy has pledged not to weaken them further.

Regarding the domestic economic policy, the conservatives seem to believe in facilitating economic growth through supporting savings, investments and employment in the private sector. Although Rajoy cannot reduce many taxes in the current situation, it is expected that he will lower the capital tax. Furthermore, he will try to boost employment and competitiveness by giving private entrepreneurs more liberty regarding employment contracts, and by lowering the costs of employing people.

Whether the strategies of the conservatives are sufficient to safeguard Spain against another recession or not, it remains a major issue. In any event, Spain is dependent on the progress made throughout the Eurozone. Even if the situation starts to improve in Europe, the task of reviving the Spanish economy and competitiveness is difficult in a situation where the private sector has trouble borrowing money from banks suffering from solvency problems, foreign investors are wary of high risks and people do not

have money to spend because 21.8%<sup>3</sup> of the population are already living below the relative poverty threshold. If the conservatives are not able to turn the economic situation around relatively quickly, frustration in the country will mount, and the *Indignados* movement will be fuelled accordingly. PP has adopted a relatively strict approach to similar protests in the past, which means that it is possible that the conservatives might try to repress the thus far pacifist *Indignados* movement. This could cause a splintering of the movement into smaller factions adopting different modes of political action, and duly give way to more radical forms of protest.

### The revival of Spanish foreign policy

Traditionally, both PSOE and PP have fostered a strong commitment to the EU, but their approaches have differed. In the long socialist era that was headed by Prime Minister Felipe González Márquez between 1982 and 1996, Spain considered the EC/EU as an opportunity to modernize the country. Indeed, Spain positioned itself in the mainstream of EC/EU policies, which helped the country to modernize and grow economically during that time. However, by the end of the PSOE-led era, Spanish national interests started to rise and clash with some of the interests of the EU, which played into the hands of the then leader of PP, José María Aznar, who won the elections in 1996 and served as Prime Minister until 2004.

Aznar's vision of the EU was somewhat different from his predecessor's. He supported the idea of the EU in terms of agreements among nations, particularly on economic matters, defence, peace agreements, and the fight against crime, but opposed the idea of a federal Europe where the Union would have power over its member states.<sup>4</sup> Consequently, during Aznar's time, Spain pursued pragmatic alliances within the EU, with the likes of Poland, to oppose the Franco-German-dominated policy-making. In order to gain further international weight, Spain built up a very close alliance with the United States and emphasized the transatlantic cooperation as a part of the European Security and Defence Policy. For a while Spain was a co-leader of European affairs

together with the *tri-rectoire* of France, Britain and Germany, but this position, highlighted negatively in the aftermath of the Madrid terrorist attack in 2004, cost the Popular Party its place in the government.

Spanish foreign policy during Zapatero's government has often been criticised for being weak and poorly directed. Zapatero's first term got off to a bad start by losing the strong relationship with the US after withdrawing Spanish troops from the coalition in Iraq. Similarly, the whole of Zapatero's second term was overshadowed by tough economic problems and a diminishing role in the EU. As a consequence, Spanish foreign policy during Zapatero's government was characterized by modesty, even humility.

According to a statement made by Rajoy at PP's conference in Malaga in October, the modesty in Spanish foreign policy is set to change when he assumes power, and Spain will return to the "first division of international politics". He did not elaborate on what this would mean in practice, but speculation about the next Foreign Minister has been rife ever since. Among the names that crop up most often are Antonio López Isturiz, a member of the European parliament, Miguel Arias Cañete, a close trustee of Rajoy and a former Minister of Agriculture and Fisheries, and Jorge Moragas, who currently advises Rajoy on international affairs.

One vision of the future foreign policy of the PP is that there will be a revival of the approach that Aznar favoured. Aznar is still actively involved in PP, providing ideas through his think tank FAES, and it is likely that many of these ideas filter through into governmental policies. When Aznar was steering the government, he sought to push free market reforms, speeding up the complete liberalization of energy, transportation and telecom markets. Similar topics have also surfaced in Rajoy's electoral programme. It is also likely that Rajoy's government will be more ambitious than Zapatero's. During the Eurozone crisis, Spain has lost much of its say regarding EU policies due to its growing dependency on the EU. Appointing López Isturiz as the Foreign Minister would indicate that Spain is placing strong emphasis on its EU policy and possibly even trying to oppose the Franco-German hegemony within the Union by building up strong bilateral relationships à la Aznar. However, the Spanish economic crisis needs to be resolved before this can happen.

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3 Instituto Nacional de Estadística, 20 October 2011.

4 Aznar in an interview of Menendez-Alarcon, 2000.

Another change that would be imminent after a PP victory is the revival of a very close alliance with the United States, especially regarding security policies. Enhancing the transatlantic approach, a conservative Spanish government could try to warm up the relationship with the like-minded British leadership, since they would have synergies in many areas, such as supporting NATO structures over the development of European defence structures. Despite the increased activity of the Spanish NATO policy, Spain is unlikely to enhance its presence in international operations due to its financial problems. According to PP, Spain will at least maintain support for those operations that it currently takes part in. However, in the event that NATO plays some kind of a role in Northern Africa, most likely in Libya, Spain will have an interest in being more actively involved there militarily.

In addition to the US and the EU, Spain has placed strong geographical emphasis on Latin America and the Mediterranean area. PP will do nothing to change this focus, although it is unlikely that Spain will be able to enhance the policies in these areas due to lack of economic resources.

## Conclusions

The upcoming Spanish government needs to create jobs at all costs in order to prevent Spain from sliding back into an economic recession. Since PP is likely to win the elections on 20 November, strategies to tackle the problems will be based on liberalization of the private sector and austerity in the public sector. Whether this will suffice depends largely on the economic situation in the whole Eurozone. If the Spanish government is unable to find a quick fix for its bleak situation, especially for the alarming unemployment figures, the protest movement that was ignited in the spring looks set to continue growing and giving rise to different types of social initiatives and organisations, some of which may not be as pacifist as those to date.

Spanish foreign policy under conservative rule will switch back to the track that was put in place by former Prime Minister Aznar, although given the economic situation, Rajoy's ambitions will be more modest in character. In practice, the new government will try to revive the strong relationship with the US and build up pragmatic bilateral relations

within the EU to add to the weight of Spain in international affairs. In the EU, Spain will oppose federalist development and the strengthening of European defence structures.

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