

# Remodelling Post-Crisis Spain

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>> Spain has been hit hard by the economic crisis and suffered a deep recession. A broader question is how the crisis will impact on Spain's international presence over the longer term. Young Spaniards will inherit a country weakened by a decade of mismanagement by politicians on both left and right. They will have to pick up the pieces and find a place for Spain in a fast-changing world in which power is shifting away from Europe.

Spain is in the midst of a threefold struggle. At the national level, it needs to recover both economically and politically; in the regional context, it needs to redefine its role within the frame of a European Union in decline; and in terms of its global stake, Spain needs to find its way as a medium-sized power in a world that is being reshaped by new powers. To deal with these challenges, Spain must establish some clear principles of what it means to be a medium-sized power in today's world.

Does the crisis make it more necessary for Spain to focus only on a select number of issues and geographic regions? Or should it go more global? Should it channel its worldwide interests through the EU? Or, given the differences that now exist with Germany in particular, should it move beyond the Franco-German alliance? And what about the balance of interests versus values? Should Spain aim to be more like 'the big four', which are more driven by interests, or like the Nordics, whose value system is praised worldwide?

## A HARSH CRISIS

The crisis has had very negative consequences for Spain's economy. Fuelled by the bursting of the housing bubble, unemployment has risen

## HIGHLIGHTS

- Spain needs to redefine its role within the EU and find its way in a reshaped international order.
- The crisis has had very negative consequences for Spain and the country needs to recover both economically and politically.
- The changes currently taking place in the Middle East and North Africa offer an excellent opportunity for Spain to lead and guide the EU's response in its southern neighbourhood.

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*Last year, FRIDE ran a competition in which we asked young Spaniards to reflect on Spain's international role after the economic crisis. This essay was chosen as the winning entry.*

»»»»» from 8.3 per cent in 2007 to 21.3 per cent (4.9 million people) today. This is double the average unemployment rate of the eurozone (9.9 per cent as of April 2011). The country's current account deficit reaches 4.7 billion euros, the second highest in Europe after France. Foreign investment has fallen by half since the beginning of the crisis.

The Spanish government has been heavily criticised for taking too long to respond to the crisis. The government belatedly approved a series of anti-crisis measures, including controversial reforms to pensions and the labour market. Austerity measures announced in 2010 included cuts to civil servants' salaries and public infrastructure spending as well as the elimination of the 'baby cheque' payable for every child born. A package approved at the end of the year comprised fiscal discounts for small firms, a rise in tobacco taxes, partial privatisation of airport management and the elimination of benefits for the long-term unemployed. The extension of the age of retirement from 65 to 67 has been the most controversial measure. The EU has backed the government's austerity measures, but most of the population disagrees with them; according to a recent Eurobarometer poll only 10 per cent of Spaniards back them. It is not yet clear that the measures are delivering the full extent of savings expected. But it is still too soon to assess their full impact and effectiveness.

In addition, in recent years Spain has witnessed bitter debates in the political arena. Instead of being united to face the crisis, political parties have followed their own narrow agendas, primarily seeking to discredit each other. The opposition has concentrated on blaming the government for its handling of the crisis without offering any clear alternative programme, and the government has responded in an often vindictive manner. In the May regional elections, all parties aimed at undermining each other's credibility without establishing real and tangible electoral programmes. In its current situation, Spain needs unity and collective efforts not only to overcome internal challenges, but also to project a reliable external image.

## FINDING ITS WAY

Whereas Spain's foreign policy under prime minister José María Aznar was Atlanticist, foreign policy under the government of José Luis Rodríguez Zapatero has become more Eurocentric. Spain rallied behind France and Germany. Taking into account geographic proximity and historical ties, these two countries are closer natural 'allies' for Spain. Particularly, France is a close partner in matters such as the fight against terrorism and police cooperation. Yet some disparities have arisen lately, especially with Germany; for example the two countries share different views on Turkey's accession to the EU.

Despite France's recent external visibility and Germany's economic strength, the EU as a whole is in decline. According to the last quarterly report of the World Bank, real GDP growth in 2011 is predicted to be 9.3 per cent for China and 8.6 per cent for India, whereas in the EU it will not even reach 2 per cent. In addition to its economic flaws, the European project has recently begun to crack along political and social fault lines. Each country's interests and internal agendas seem to matter more than the desire to build a comprehensive European block that could properly be called a union. On external affairs, the Union has also failed to speak with a single voice. The creation of post of the High Representative for Foreign Relations and Security Policy aimed to provide the EU with a unique external image to represent its views in international fora. Foreign intervention in Libya is the most recent example, where each European country individually decided whether to take part or not. Spain has not contributed strongly to efforts to temper internal EU disunity, concentrating on its own internal challenges.

Europe has traditionally been praised for its social values, including respect for diversity and solidarity. This was particularly true of the Nordic countries whose social and value systems became examples to emulate. Today, however, this picture is increasingly questioned. In recent years Europe, and the northern countries in particular, have experienced a rise in xenophobic

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and populist tendencies that risk jeopardising the European social *acquis*. Far right parties in Sweden, Finland and Denmark have gained an important number of seats in their respective parliamentary elections. More recently still, solidarity (particularly in terms of sharing the burden of immigration from North Africa) has declined with the border closure between France and Italy and the rethinking of the Schengen Treaty. To some extent, Spain is an exception to these negative trends, but on going debates in the country raise concerns over whether current levels of tolerance will remain.

### GLOBAL STAKES

Against this background, how should Spain react to preserve international influence in an age of austerity? World affairs are changing face as emerging countries push ahead and challenge the economic and political supremacy of the West. The rise of these countries could be detrimental

to the West, and particularly to the EU since its external image is being damaged by its internal crisis. Since Zapatero's arrival at the Moncloa, the main goal of Spain's foreign policy has

been to achieve higher visibility in global fora. This goal has been partially attained as Spain has secured more regular attendance at international meetings, such as the G20. Spain's participation in that forum has been consolidated since Zapatero's first attendance at the 2008 Washington meeting.

But apart from the G20, Spain's relevance in world affairs has not been noticeable. On the contrary, Spain seems to have retreated, concentrating its efforts in a few select areas instead of adopting a global agenda. Military expenditure has decreased by 5.9 per cent this year, while other countries, such as Brazil or

China, have increased their military expenditure. Spain also ranks low in terms of diplomatic capacity and activity. Despite an increasing interest in countries in the Asia-Pacific area, Spain has not altered its external profile much. Furthermore, when new opportunities have appeared, Spain's response has been to shelter under the umbrella of the EU in a rather passive manner.

In this sense, the changes currently taking place in the Middle East and North Africa (MENA) region offer an excellent opportunity for Spain. So far, Spain has followed the EU line: initial inaction followed by a timid reaction. Although the events were unexpected, in these situations a country or a regional institution must show its capacity to make decisions and respond to challenges. The UN Security Council adopted Resolution 1973 that allowed for an international intervention in Libya, in which Spain took part. Although any intervention entails some risks, a positive resolution of the conflict could benefit Spain's global image. As of yet, Spain is playing a very limited role only in the operations.

Furthermore, the geographical proximity and historical ties between the two shores of the Mediterranean make Spain a perfect candidate to lead and guide the EU response to the events taking place in its southern neighbourhood. Spain also experienced a successful transition from dictatorship to democracy in the recent past. Obviously, no experience should be imposed as a model to follow, but Spain's successful transition could act as a reference for these societies. In a positive move, Zapatero was the first Western leader to visit post-Ben Ali Tunisia. But to be fully trusted Spain needs to turn words into actions. To this end, academics and experts that Spain has both in the field and at home could provide assistance. Their analyses and recommendations could be a valuable tool to define appropriate policies, free from the double standards that have traditionally accompanied Western policies towards Arab countries.



## Spain needs to carve out a place for itself in the new global context

»»»»» GUIDELINES FOR THE FUTURE

What can Spain do to improve its future prospects? Economic recovery is clearly a *sine qua non* for success at the political level. At the same time, Spain needs to carve out a place for itself in the new global context. But how?

**1) Rethinking Spain's geo-strategic objectives.**

The new global context requires shifting priorities in order to focus on areas that have traditionally been secondary on Spain's external agenda. To become relevant on the world stage, Spain needs to reinforce its ties with the emerging countries. Not only will these play a crucial role in world affairs in the future, but they can also assist Spain's own recovery. Establishing cultural and business exchanges and ensuring the presence of Spanish companies in the region, particularly in China and India, are essential tools to create alliances that could be very beneficial for Spanish interests. Culturally, the success of Spain's pavilion at Shanghai's Expo 2010 shows the interest Spain arouses among the Asian public. Economically, China has been an important partner in contributing to bailing out Spanish entities at risk. Zapatero's attendance at the Boao forum (the Asian equivalent to Davos) last April was a good sign of the refocusing of Spain's foreign policy towards Asia.

However, adding new objectives should not mean neglecting traditional priority areas. Latin America should definitely remain high on the agenda, although with particular attention to Brazil as one of the BRICs. Spain should also concentrate its efforts on the MENA region, particularly given the changes taking place there and the afore-mentioned privileged position that Spain has to act as a bridge between the northern and southern borders of the Mediterranean. It should take advantage of this position and its experience to bring forward initiatives that go beyond the failed Barcelona Process-Union for the Mediterranean and that would accompany these countries in their quest for democracy.

**2) International cooperation and development assistance.**

Targeting mainly Africa and Latin America, development cooperation and assistance have become two of the pillars of Spain's foreign policy in recent years. The complexity of the current international context and, especially, the critical condition of Spain's economy demand more than ever effective policies that can achieve optimum results in spite of budgetary constraints. In addition, Spain should implement a cooperation policy that combines financial aid with the transfer of human and institutional capabilities. Such a combination is crucial in order to foster a positive vision of Spain, moving away from the negative neo-colonialist paradigms that have damaged both donors and recipient countries.

**3) Re-endorsing the European project.**

The perception of a European decline could be misleading, as the construction of Europe is still ongoing. Spain's importance within the EU has also decreased, partly because of the impact of the crisis and the loss of its credibility in the economic context. Again, although the economic recovery is an important part of the game, in order to make itself a valuable asset within the EU Spain should emphasise aspects where it has an advantageous position, such as its relations with Latin American and MENA countries.

**4) Reshaping diplomacy.**

This implies both rethinking the Foreign Service and promoting new public and cultural diplomacy. The Foreign Service has been a recurrent topic of debate during the last years, fed by the increasing politicisation of the so-called 'strategic embassies' where politically-appointed ambassadors substitute those who are career diplomats. Joining the Foreign Service demands a high level of preparation, both professionally and academically, meaning that career diplomats should be sufficiently prepared to perform their tasks successfully. Spain must focus on training a well-prepared diplomatic service. Spain should also promote its presence abroad through strong public and cultural diplomacy. It has to create and consolidate a positive image abroad not only through the political action of the

government, but also through cultural promotion. In order to succeed, this type of diplomacy requires total coordination among the different authorities involved.

**5) A well-defined position and principles.** To grow as a world power Spain needs clear values to govern its foreign policy activities. It also needs to assume risks and take sides when necessary without forgetting those basic values. In this sense, Zapatero's government has made very clear its opposition towards the death penalty and its commitment to fight for its abolishment worldwide. Prime minister Zapatero has also defended dialogue among cultures through the Alliance of Civilisations initiative. Nonetheless, Spain has lacked determination when facing certain issues that also deal with the human rights it advocates, for example in the case of the Western Sahara. In order to be a credible actor and avoid the perception of double standards in world affairs, Spain should stand firm when dealing with issues that touch the values and rights it supports, particularly since the West is losing legitimacy as a defender of values.

Overall, Spain has the tools to prove that it can play a relevant role in today's changing world. Economic recovery is essential, but it is not enough. Spain cannot and must not be left out at the European and global level. After decades of isolation, Spain entered the international arena thanks to the work of a previous generation of leaders. Now, past policies need to be rethought to adapt to the new reality. The young generation - my generation - that will be dealing with the effects of the current elite's errors has international experience and powerful technologies at its disposal to achieve this.

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