

# Spanish foreign policy monitor: July-September 2012

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»» Spanish politics over the past three months has been dominated by the unfolding eurozone crisis and pressure over public debt. Instead of adopting a proactive attitude by assuming responsibilities and leadership in Europe, the government has decided to endure the storm, taking advantage of the summer slowdown, leaving the bundle of blame to the regional authorities. Uncertainty has overtaken foreign action towards the European Union and has gradually extended to other areas, such as the Sahel, the Arab spring and Spanish diplomatic and business presence in Ibero-America and the rest of the world.

The new cabinet's first six months in office have witnessed interesting elements. With a second bailout in the making, the minister of foreign affairs' tendency to lean towards continental economic issues has left gaps that have been filled by other departments, notably the Ministry of Defence. On the other hand, the events that took place in North Africa during recent weeks have increased concerns towards the southern neighbourhood. In addition, there has been a certain ideological shift in Spain's foreign policy model, with a hardening of strategic policies and a greater emphasis on commercial diplomacy.

## STORMY EUROPE: FREE FALL

Since the new government took office, the stormy climate in the EU has forced Spain to change its stance. The government's initial low profile (as highlighted by Manuel Manrique in the previous monitor Spanish foreign policy monitor: April-June 2012) has been overtaken by a desire to dispel doubts about the ability to meet deficit targets and to soften

## HIGHLIGHTS

- The persistent crisis in the eurozone has coincided with a lack of coordination of Spanish external action in Europe.
- Strategic matters and increased commercial diplomacy have dominated recent foreign policy.
- The Spanish government must strengthen its position in international fora and regain a positive discourse, with an increase in the president's foreign presence.

»»»»» the trickle of bad news regarding the economy's health. The objective is to appease the 'markets' and try to meet Nordic and German demands. On a personal level, finance minister Luis de Guindos has been a notable player in several European economic summits before the summer break brought the agenda to a halt (especially those held on 26 June 2012 and 23 July 2012). It is also worth mentioning the role played by state secretary Méndez de Vigo, acting as Sherpa to foreign minister García-Margallo in the European foreign affair summits held in July and at the beginning of September.

But such increased activity on the part of certain departments and ministries does not imply that presidential activity has disappeared all together. President Mariano Rajoy has attempted to show seriousness and commitment towards 'more Europe' (especially during the meeting held on 22 June in Rome between the eurozone's 'big four' - Germany, France, Italy and Spain- held the), but with meagre results to date. During the second half of summer, the Spanish president held several bilateral meetings with key European leaders, including the Italian prime minister (2 August), the president of the European Council (28 August), the French president (30 August), German chancellor Angela Merkel (who attended the Spanish-German Business Conference on 6 September), and the Finnish prime minister (10 September).

But action in Europe seems to follow a one-day-at-a-time approach, with little direction and some slip-ups that reveal nervousness and improvisation. Criticism voiced by vice-president Sáenz de Santamaría and the ministers of foreign affairs and economy towards the actions of the European Central Bank (ECB) and the Bank of Spain were not very well-timed and have not helped Spain keep its seat on the ECB Executive Board. This is particularly relevant given ECB president Mario Draghi's influence in the arena of European politics towards Spain. Through several hints and his 6 September statement regarding bond-buying, Draghi has managed to buy the Spanish government enough time to

keep appeasing the markets and Germany with indiscriminate budget cuts. Draghi's final decision, together with the surprising conditional convergence of several countries which hold critical opinions towards their southern neighbours (especially Germany and Finland) supporting the Spanish government's efforts, could be considered to be the single positive aspect this summer for Mariano Rajoy's government.

In any case, given the fluctuating risk premium and the cascade of recent reports on the pressure exerted from Europe to request a bail out as soon as possible, the government's actions do not seem to be generating a favourable market response. The outlook for autumn is not very rosy. The executive must tackle the European dialogue in a much more coordinated and responsible fashion, starting with the upcoming European Council meeting on 19 October in Brussels.

### **A NEW DEFENCE**

The overall focus of the Foreign Affairs Ministry on European issues has left gaps that have been filled by other ministries, especially Defence. The change has been especially palpable following the adoption of the national defence and security directive approved in July, which outlines the central tenets for the coming years. The text reveals a new understanding of strategic security as a horizontal element of relations with neighbours not necessarily limited to the Ministry of Defence's actions. This can be linked to the need for regional action, especially in the Mediterranean, which makes even more surprising the fact that the strategic relationship with our southern neighbours is dealt with a tinge of military overtones. On the other hand, it sidelines the importance of diplomacy with third countries and with international organisations as a way to resolve the global risks and threats, with the exception of NATO and the US, which are repeatedly mentioned as models of strategic management. The document also fails to refer to the role of the eight international missions in

which the Spanish military currently participates. Vague references to jihadist terrorism using the generic formula of 'non-state actors' contrast with the geographical preoccupation with North Africa and the Sahel. This positioning coincides with one of the most important issues from summer: the forced repatriation of Spanish volunteers in Algeria and Spanish/French contacts over a possible joint military intervention in Mali.

Furthermore, Mariano Rajoy's government has shown great sensitivity towards territories of Spanish sovereignty in Africa, placing Ceuta and Melilla (cryptically called 'unshared threats')

as the cornerstone for the strategic protection of Spanish territorial interests away from the mainland. This begs the question of whether this is intended to deter Morocco by toughening the tone of the discourse or to deal with self-inflicted tensions created by the government's

tougher position. That said, while the government raises its voice in the southern shore it searches diplomatic solutions to its dispute with the United Kingdom over the presence of Spanish fishermen in the Gibraltar Strait. The government's position should be far from reminiscing about years bygone, and instead focus on building a positive image of Spain as a promoter of peace and democracy on the northern shore of the Euro-Mediterranean area.

In terms of the new budget, despite allusions to economic difficulties being a main concern, cuts in foreign affairs, such as the closure of Spanish embassies in Yemen and Zimbabwe, have so far not been mirrored in defence and security. While international cooperation has been reduced by almost two thirds, the government has assigned an additional 28 per cent to defence, even if it is to pay for previous debts. At the same time,

defence minister Pedro Morenés and his team have helped further military and arms deals (signing commercial deals with different countries such as Australia, Turkey and Germany), in line with the overall governmental tilt towards commercial diplomacy.

## INVESTMENTS AND INSTITUTIONS

Commercial diplomacy has also been at the core of current government activity. Business trips overseas by the heads of foreign affairs, economy, industry and agriculture, as well as the King and the Crown Prince, have attempted to strengthen Spanish business presence abroad. The aim is to repair the image of Spain's worn-out economy and make the most of the pull for exports, the only component of Spanish economy that has grown in the past year. A campaign to encourage foreign investment is also in place, requiring government mobilisation overseas. China seems to be most interested, especially in the industrial and electrical sectors, as industry minister José Manuel Soria was able to confirm during a recent trip to the country.

Regarding Ibero-America, both the Crown Prince and foreign minister García-Margallo travelled to Latin America in an effort to show institutional normality following the irate reactions provoked by the expropriation of YPF and (to a lesser extent) Red Eléctrica de España by the Argentinian and Bolivian governments, respectively. Although Spanish companies have managed to sign commercial deals and concessions in Brazil, Mexico and Costa Rica, this has not diminished tension with Spanish investors in other countries, such as Guatemala or the Dominican Republic.

It is also important to highlight the government's institutional actions and its presence in international fora. Diplomatic activity intensified in preparation for the Ibero-American summit held in Cádiz on 16-17 November: a meeting with Ibero-American cooperation secretaries was



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»»»»» held in Madrid on 12-13 July; the president of the senate made an institutional visit to several Ibero-American countries throughout July; and a meeting between interior ministers took place on 18 September in Valencia. In addition, Mariano Rajoy participated at the UN summit on 24-25 September, directing his efforts towards winning a seat for Spain at the Security Council, and the King attended the Clinton Global Initiative. Furthermore, Rajoy will receive the prime ministers of Lebanon and Morocco on 1 and 3 October, respectively.

Last but not least, it is worth mentioning the diplomatic support – although somewhat timid – that foreign minister García-Margallo and the secretary of foreign affairs, Gonzalo de Benito, have shown to the Syrian people, meeting with the president of the Syrian National Council in August and September. The King transmitted the same message to Russian President Vladimir Putin in a meeting held in Moscow in July, apparently to no fruition. This contrasts with Spain's position regarding the Arab spring: after providing moderate support to the transitions in Libya and Egypt, and especially in Tunisia, the Spanish government's actions have been much less intense during the summer, coinciding with the generalised rise of Islamism in the region.

## CONCLUSION

The government's foreign policy has not followed a consistent approach in the past few months. The weight given to European politics - part external and part domestic policy, as signalled in the previous monitor - has not been an unconditioned choice, considering the eurozone's financial situation. Spain is walking on a tightrope, and at least in the short term it seems that a bailout is the only way to ensure that it does not slip off. Given upcoming events, improved coordination in the executive is desirable.

Beyond Europe, a new outlook prevails in the ideological realm. The role performed by defence (with the publication of the national defence and

security directive) is not a mere coincidence. Together with this, the rise in commercial relations sketches out a foreign action less focused on internationalist discourse and more centred on protecting 'all things Spanish' at all levels: a good example of which is the hardened tone towards North Africa. Furthermore, certain key documents have yet to be published, such as the Master Plan for Cooperation, which presumably will be curtailed by cuts in development spending. In addition, it will be necessary to analyse the financial restrictions to foreign action as a whole once the general state budget is presented in October.

The government should further explore the possibilities offered by membership in numerous dialogue fora, even more so taking into account its membership in the EU and the situation in the Euro-Mediterranean area. This could be much more fruitful than adopting a tougher tone in foreign relations in the region. Spain's capacity in foreign affairs no longer corresponds to that of a great military or commercial power. In this respect, the success of the 12th Ibero-American summit to be held in November in Cádiz is crucial, as is Spain's positioning within Europe. What is at stake is much more than mere organisational or intra-community policy success.

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