

Spanish foreign policy monitor: January-March 2013

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»» At the start of 2013, the intervention in Mali and the establishment of a Foreign Action and Foreign Services Act (LAESE) have largely dominated Spain's foreign action. Meanwhile, the eurozone crisis is still setting the agenda of Spain's relations within the European Union (EU). Additionally, the unveiling of internal political corruption cases have damaged Spain's international image. On a positive note, the country registered an increase in exports and performed well in the negotiations regarding the 2014-2020 European Multiannual Financial Framework (MFF).

ERUPTION OF THE SAHEL POWDER KEG

2013 started very differently from the previous year. Spanish foreign policy priorities had to shift in light of North Africa's deteriorating situation and the subsequent French intervention in Mali. The Mali crisis implied substantive changes within the EU's southern neighbourhood; a large-scale military operation in the EU's doorstep. During the first weeks of the intervention, the Spanish government, particularly through its foreign affairs minister, insisted on the importance of the Sahel region for Spain and the need to act accordingly. However, Mali was progressively replaced in the government's rhetoric in the aftermath of elections in Italy and the emergence of a new front in the never-ending euro crisis via Cyprus.

The Malian crisis was long coming and has deep-rooted causes that contributed to increasingly bad governance in Mali and in the Sahel

HIGHLIGHTS

- The French military intervention in Mali has changed Spain's foreign policy priorities at the beginning of 2013.
- Domestically, there has been some progress in the negotiations over a foreign action and services bill.
- Despite implementing many austerity measures Spain could face further turbulence amidst growing uncertainty over recovery.

»»»»» region in general. Both Spain and the EU have many stakes in the area and Madrid could increase its contribution beyond the limited number of instructors deployed to the European Union Training Mission (EUTM), which aims to strengthen the institutional architecture at a national and regional level. Although Spain's financial constraints are undeniable, and France's supremacy was unquestionable from the start, Spain must take advantage of its successful and recognised experience in peacekeeping missions and institutional reinforcement in post-conflict areas (Bosnia, Kosovo). A deterioration of the situation in the Sahel or another institutional downfall in neighbouring countries – or in Mali itself once the French withdraw – could have serious consequences for Spain and its immediate neighbours in the south (Morocco, Algeria). Spain must avoid a possible domino effect in the region, which would negatively impact on energy security and immigration, and could increase the number of international illicit networks. The general good understanding and trans-border cooperation – despite some differences – between Spain and these two North African countries should be a main driver for cooperation so as to prevent an institutional void in the political connection between the two shores of the Mediterranean, especially with the EU.

DOMESTIC REFORMS

Domestically, the hard negotiations over the Foreign Action and Foreign Services Act, one of the government's main projects, have seen substantial progress. It was necessary to take stock of and reform Spain's foreign policy conceptual and institutional tools, especially amidst the crisis and when many institutional structures are being questioned.

After over 30 drafts, it seems that the foundations – at least – have been laid, while the final document is expected to be issued during summer, albeit with some controversy in the political and social arenas. First, the drafting of the bill was carried out somewhat in secrecy,

without the participation of all political and social stakeholders or any parliamentary debate, which could have increased its 'social legitimacy'. Equally, disputes between the central government and different autonomous regions, especially Catalonia and the Basque Country, have unveiled deep disagreements over who has or should have representation regarding foreign action, and over the workability of Autonomous Communities being subject to the central government's coordination in this area. Last but not least, several diplomats have openly opposed the text, following the revocation of the clause establishing the primacy of the ambassador's position over all other officials attached to the mission. Other ministries extensively intervened in the policy-making process, so as not to lose out in the new power sharing and in an attempt to hold on to some of their privileges.

The LAESE will predictably include a foreign action strategy, which would set the conceptual frameworks and objectives for Spanish foreign action, both in material terms and geographically. Although the government as a whole has repeatedly declared its preference for commercial diplomacy, it must clearly state where Spain's foreign action is heading in other fields and what coordinating role the Ministry of Foreign Affairs and Cooperation wishes to perform to those effects. Foreign Affairs Minister García-Margallo's opening speech and the several programmatic documents presented in recent years do not constitute an adequately defined body that can serve as a clear guide in this sense.

EXPORTING SPAIN'S IMAGE?

Spain's international image has had its ups and downs over these past three months. While risk premium indicators continued to fall moderately and Spanish exports kept growing stably, other important matters – such as Mali – somewhat shifted the focus away from the severity of the eurozone crisis. Widespread corruption both at a vertical (state, regional and local governments) and horizontal level (political parties, companies,

foundations, royal family and trade unions) is one of the factors that has most affected Spain's image globally. It has been repeatedly mentioned in exchanges with the press during some international meetings attended by government officials at the start of 2013, such as Mariano Rajoy's visit to Berlin on 4 February.

On a positive note, however, the moderate increase in exports that began in 2012 (reaching maximum levels in December) has continued. This is due to many factors, but perhaps it is worth highlighting the centralised economic diplomacy promoted by the foreign affairs ministry as a lever for Spanish companies' progressive internationalisation. As pinpointed in the previous monitor (SPFM: October-December 2012),

this position is not reprehensible *per se*, given that it is in the interest of important sectors of Spain's economy, more specifically small and medium-sized enterprises (SMEs). It is questionable to the extent that it has undermined or overlapped with other fields that should not be neglected by the state's foreign action.

Commercial diplomacy is not a substitute for a wider foreign policy perspective, including cultural and linguistic diplomacy and political priorities at the European level. That said, the peak in exports was well-received by many economic hubs, especially the EU.

The promoters of Brand Spain (*'Marca España'*) face two main immediate challenges to consolidate the project and use it, as the government hopes, as a means to counter-balance Spain's declining foreign image. First, it is necessary to conceptually consolidate it through an open debate with Spanish society to avoid imposing a project that does not have the support of all stakeholders. Second, greater institutional coordination is needed for Spain to show a

unified position at the international level. However, despite an initial boost, differences in the performance of the various players involved seem to have diminished confidence surrounding the project. In order to achieve greater consistency among all actors involved in foreign action, the LAESE needs broad support.

EUROPE: *COMME TOUJOURS*

The eurozone crisis is the most persistent challenge for Spain's internal and external politics. After resurfacing during the Italian elections and the Cypriot banking crisis, it has spread to the European arena. Here is exactly where Spain's fears lie. The apparent balance achieved during recent months could again falter. Despite implementing many austerity measures, diligently accelerating reforms and cuts, Spain's shaky economy could face further turbulences, with subsequent rises in speculation and Spanish debt in secondary markets.

Another problem the government must face is Spain's decreasing international weight in Europe, and more specifically in terms of its presence within high-ranking positions in European institutions, whether inter-governmental (where, for example, Economy Minister Luis de Guindos was the only one opposed to the election of the Eurogroup's new president) or communitarian institutions, (European Central Bank, Commission or in the European External Action Service). This further damages Spain's already weak position within the EU, with the country thus being excluded from the influential group in charge of EU policy formulation, especially regarding EU foreign action. In this respect, the 'big three' (Germany, France and United Kingdom) and another group of theoretically smaller member states with heterogeneous characteristics (Italy, Sweden, Poland) have recently shown to have greater influence and impact than Spain in EU decision-making over cross-cutting issues such as the eurozone crisis, the reform of the Common Security and Defence (CSDP) reform or European Neighbourhood and Enlargement policies.



Spain's international image has had its ups and downs over these past three months

»»»»» It is against this background that the Spanish government has to face the ongoing discussions over the banking and fiscal union, qualitative leaps in the creation of EU financial supervision structures. However, while the European Multiannual Financial Framework for 2014-2020 (the European budget) approved last February appeared to be a victory for austerity-promoting countries, the balance was positive for Spain. This could imply a change in direction, with Spain holding more weight in European decision-making, yet to be seen. Some positive outcomes for Spain are its continued status as a net recipient of EU assistance (especially cohesion funds); the fact that it will benefit considerably from new assistance packages to combat unemployment (30 per cent of the total foreseen European unemployment fund); and business, labour and innovation funding opportunities to achieve Horizon 2020 objectives. Furthermore, as was confirmed by the recent Common Agricultural Policy (CAP) negotiations at the end of March, attended by Agriculture Minister Miguel Arias-Cañete, Spain will remain in a privileged position regarding agricultural subsidies, being the third of the EU-27, only after France and Germany. Matters surrounding cuts appeared in chapters on security and citizenship.

CONCLUSION

Following the government's clear boost to commercial diplomacy during the last three months of 2012, this year started with renewed challenges, some of which were already outlined in the previous monitor, and others deriving from new developments such as Mali. If a good

international image is firstly a reflection of a solid and sound domestic policy, some of the reforms that need to be undertaken in Spain would fit these criteria. The LAESE is a good point of reference, but also necessary are reforms to control corruption, which, alongside the crisis, are weakening Spain's international image.

Looking ahead, the government will have to face two main challenges. First, it must try to regain ground in European decision-making circles, by being more effective in uploading its national policies and priorities to the European level, both in the eurozone and the EU-27. To achieve this, Spain must articulate its needs and requests clearly with a discourse that other member states can also relate to, for example, concerning more flexible deficit objectives. In addition, Spain must insist, also within the Union's own format, on strengthening EU action regarding the Sahel, so that France is not left alone carrying all the burden in the post-conflict scenario. A way to achieve this would be to recover the importance of the EU's Sahel Strategy, which although incomplete, correctly highlighted some of the challenges facing the region and the EU. The Sahel is important enough to Spain to justify concentrating great part of its efforts at the EU level to achieve greater member state involvement, pushing toward more serious action, while at the same time increasing its own bilateral or multilateral action.

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