

Spain in the European Union: the First Twenty-Five Years (1986-2011)



Joaquín Roy and María Lorca-Susino
(editors)

Prefaces by Joaquín Almunia and Enrique Barón



Jean Monnet Chair, University of Miami
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“Spain is the problem. Europe is the solution”. In this fashion Ortega y Gasset once dramatized the need to “Europeanize” Spain. The results over the first twenty five years of EU membership have been truly impressive. When Spain became a member of the EC, some of the best and brightest of Spain’s governmental cadres and universities joined the expanded European institutions, taking on positions of responsibility. The most prominent chaired the European Court of Justice (Gil-Carlos Rodríguez Iglesias) and the Parliament (Enrique Barón, José-María Gil Robles, and Josep Borrell), holding key positions in the Commission, and filling the newly created position of High Representative for the Common Foreign and Security Policy (Javier Solana).

Spain, in sum, “was not different”, contrary to what old-fashion tourist publicity for the country used to say. It was a European country like any other that was returning to its natural home after a long exile.

Spain, in turn, received considerable benefits from EU membership through funds for regional investment policies, agriculture and rural development, and the modernisation of national infrastructure. From an index of 60 percent of the European average in 1986, today Spain’s income per head is in the range of 105 percent, with some regions surpassing 125 percent. From being a country that was a net receiver from the EU budget, Spain today is a net contributor.

Reflecting this development, the present volume examines different dimensions of the deepening relationship between Spain and the rest of Europe through membership of the EU (its history, and its impact on policy development on economic growth and on relations with third countries).

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Miami-Florida European Union Center/Jean Monnet Chair, 2011

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With the special editorial assistance of Alfonso Camiñas-Muiña

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and
The Jean Monnet Chair of the University of Miami

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The Jean Monnet Chair of European Integration, awarded by the European Commission's Jean Monnet Action of the General Directorate of Education and Culture in 2001 to the University of Miami, has been exclusively dedicated to strengthen the teaching and research of the EU, with a strong specialization on its relations with Latin America and the Caribbean and comparative regional integration.

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Introduction

Spain's Membership in the EU: Assessment of a Success Story

Joaquín Almunia

Vice President of the European Commission

On 1 January 1986, Spain —together with Portugal— officially became a member of the European Communities (EC). Now, twenty-five years later, and in the framework of the Seminar “25 years of Spain’s membership in the European Union (1986-2011)” organized by the University of Miami, this is an appropriate and timely occasion to reflect on what the accession has meant for Spain and the European Union. For Spain, joining the EU has translated into an unprecedented boost of modernization and progress. I am sure the vast majority of Spaniards would agree with me, that this was one of the most significant and wisest decisions that have been taken during our 35-year old democracy. José Ortega y Gasset was completely right when, in 1910, he concluded that "Spain is the problem and Europe the solution". His very famous sentence adequately summarizes what Europe has meant for Spain.

The European Union has strongly contributed to provide Spain with the brightest period in its history of the last two centuries. The EU may not be —and is probably not— the only responsible factor, but it has played a major role in achieving a long period of peace, progress and stability. It is not only political stability we are talking about, but also prosperity and social and economic dynamism, which have finally managed to bring Spain closer to the core of Europe. Spain has not only benefited from the positive influence of the European values, rules and institutions; it has also become a key player in the EU and has provided the Union with invaluable assets. Not only has Spain brought Latin America and the Southern Mediterranean closer to Europe, but it has also pushed for some key initiatives such as European Citizenship, a stronger cohesion policy, the establishment of a true "Space for Liberty, Security and Justice" and the European Voluntary Service. Spanish politicians such as Felipe González and Javier Solana, both awarded with the prestigious Charlemagne Prize, have made major contributions to the European integration process. One of the most obvious achievements in these twenty-five years of shared history with the EU has been political. Spain's peaceful transition to democracy is both admired and envied. Joining the EU was the last and final step forward towards the definitive consolidation of the Spanish democracy.

It is difficult to underestimate the importance joining the EU has had for Spain and it is not hard to imagine that without it the country would not have achieved the dramatic and impressive transformation it has undergone in the last twenty-five years. The European Union is of course much more than a Common Market, it is a political project which aims to provide its Member States with peace and stability, while bringing them around a number of core values such as Human Rights, Democracy and the Rule of Law. What distinguishes the EU from other international organizations is the fact that the Union's most appealing asset is not economical but rather lies in its principles and values. As such, the EU has managed to go further than any other integration process and has overtaken its initial economic aim in order to turn it into a political one that, while preserving each country's national sovereignty, helps to preserve certain values which are an integral part of Europe's history and identity.

During these past twenty-five years, Spain has contributed significantly to these ideas and has stood out as one of the strongest advocates of European integration. It has played a dynamic, driving and committed role in the dual process of enlarging and strengthening the European project. This wide support for the European project—which was patently clear with the 76% of favorable votes that the draft Constitutional Treaty obtained in its Spanish referendum before it failed in the subsequent votes of France and the Netherlands—is also probably related to the good economic times that Spain has undergone since its accession to the EU.

Spain has had for most of the last twenty-five years one of the most dynamic European economies and has undergone a rapid and swift real convergence in nominal and real terms which has raised the Spanish GDP per inhabitant from 70% in 1985 to 103% of the EU average in 2009. This process has also had an important angle from the point of view of financial solidarity. During the last twenty-five years, Spain has received more than €90 billion in net transfers from the EU budget. For a country that did not benefit from the Marshall Plan, these transfers, which have been crucial to sustain agricultural and structural actions, translate in practical terms what a European community means. Additionally, this convergence process has also taken place outside our borders, as Spain is the country that receives and sends the highest number of exchange students. This project, better known as the Erasmus program, has provided aids for mobility to more than two million university students during the 23 years of its existence. As a result, the Erasmus program has placed itself as one of the most successful EU-programs, and Spain has shown its commitment to it.

These last three years have nevertheless been somehow different and difficult due to the severe global economic and financial crisis. In Europe, we have witnessed the financial rescue of Greece and Ireland and an acute deterioration of public finances. However, as it usually happens in Europe, and as Jean Monnet said already thirty five years ago years ago, we have used the financial crisis to undertake the reforms our economies so badly need. In particular, signif-

icant progress has been achieved regarding economic governance which should strengthen our Monetary and Economic Union and our common currency. Not only has the Stability and Growth Pact been reformed in order to achieve a higher macro-economic coordination among Member States, but we have also agreed on the setting-up of two key instruments aimed at providing temporary liquidity to Member States in order to guarantee the sustainability of their debts: the European Financial Stabilization Mechanism and the European Financial Stability Facility. Furthermore, from 2013 onwards, and in order to provide markets with the certainty they need, these two instruments will be replaced by a permanent one, the European Stability Mechanism. The establishment of this Mechanism, which will entail a limited reform of the Lisbon Treaty, confirms once again Monnet's belief in opportunity amidst the crisis.

In this respect, Europe must take advantage of this opportunity to strengthen its foundations and to, once again, fuel up the political will that has turned European integration into the fascinating project it is now. In this sense, the story of the Spanish success provides us with clear-cut evidence of the added value of the European project; an added value which must be preserved and further developed in order to repeat the successful stories and to achieve a sustainable

Spain's Contributions in the European Parliament

Enrique Barón Crespo

President of the European Parliament (1989-1992)

Democracy has been the guiding principle of the European Union since its creation. In a note written on September 5, 1943 in Algiers, then a French colony, Jean Monnet stated that “the objectives to be attained are the establishment of a democratic regime in Europe and the economic and political organization of a ‘European entity’ ”. At that time, dictatorship was the prevailing form of government in most of the 27 member countries of the current EU, with the exception of the United Kingdom and two neutrals, Ireland and Sweden. As president of the High Authority of the European Community for Coal and Steel, predecessor of the European Commission, Monnet stated at the first meeting of the *Assemblée Commune* in 1952: “the big European revolution of our time [...] aims to replace on our continent national rivalries by the peoples’ union in freedom and diversity”. The outcome of that revolution is that democracy first became rooted in Germany and Italy, later in Greece, Portugal and Spain, and now in Poland, Hungary, the Czech Republic, Slovenia, Slovakia, Lithuania, Latvia, Estonia and Cyprus.

Today, democracy is a young and vibrant political driving force, although it was launched in Athens more than 2,500 years ago. Pericles, the great statesman of his time, said that “our constitution is called a democracy because power is in the hands, not of a minority, but of the whole people”. Since 1989, the year of the collapse of the Berlin wall and of the democratic upsurge worldwide (Tiananmen in China, the end of apartheid in South Africa, Chile and Nicaragua in Latin-America), democracy has become an attainable aspiration, and not just a privilege of developed capitalist countries. Most of the young people who are now demonstrating in the Arabic countries have probably not heard of Pericles. They know, however, that they are fed up with corrupt autocrats, and desire to live in democracy instead of following the fanatical theocracy preached by Al Qaeda.

The democratic challenge has become an essential part of globalization. In this perspective, the Iberian case offers interesting insights. Spain and Portugal were the first modern empires in search of globalization. Ferdinand Magel-

lan, a Portuguese sailor, and Juan Sebastian Elcano, a Spanish Basque, were among the first explorers of the New World. Afterwards, as Paul Preston rightly says, Spain experienced a history of decline, of international humiliation, culminating in the final loss of the empire at the hands of the U.S. in 1898, and of intense domestic strife [...] It is hardly surprising that the Spaniards and Portuguese have embraced the European idea with such enthusiasm.

My generation grew up in an environment of intense right-wing nationalism and a disdainful view of “decadent” western democracy. In spite of this, General Franco applied for an association with the Common Market, as it was then popularly called, in 1962. This non-sequitur showed that the Common Market was not only about the economy. We had mixed feelings about our ability to overcome a long period of isolation and of how to consolidate democracy. Nevertheless, we saw “Spain as the problem and Europe as the solution”, in the words of Ortega y Gasset. Throughout our transition, the active participation in the affairs of our continent was an important part of the Spanish constitutional consensus. We approved Article 93 of the Constitution, which enshrined the primacy of European law over Spanish law. The central government of the day began negotiations with the European Community. It was an exciting and rather turbulent time.

In 1982 the attempted coup d’état was considered “a Spanish internal matter” by U.S. Secretary of State General Alexander Haig. His statement reflected the pessimistic view that prevailed within the American administration, which was dominated by what the German-American historian Fritz Stern called in his dialogue with Chancellor Schmidt “Henry’s strong skepticism of Iberian transitions”, referring to Kissinger’s view, similar to his *maitre à penser*, Prince von Metternich. In fact, the attempted coup helped strengthen our will to join the European Community and to secure our membership in NATO by way of a referendum. We also ended a long lasting love-hate relationship with the United States. In December 1995, the new Transatlantic Agenda between the European Union and the U. S. was signed in Madrid by President Clinton and Prime Minister Gonzalez.

On this silver anniversary of Spain’s accession to the European Union, the prevailing view is that it has been a success story. In fact, the last twenty-five years have been considered the best years of Spanish history. It has represented for the nation the equivalent of a well-managed European Marshall Plan that has unleashed the strong potential of Spanish society and economy. The bipartisan consensus has been essential to this success, and Spain has contributed in a proactive and constructive way to further the progress of European integration.

To answer the question about Spain’s contribution, let me say the following. From the perspective of European Parliament, it is not an easy question to answer. The Parliament is not organized by nationality. Members of Parliament form groups according to their political affinities. Political groups are comprised of members elected in at least one-quarter of the member states. The minimum

number of members required to form a political group is 25. This means that participation in the decision-making process of the European Union on the basis of national interest is not to be found in the Parliament, but is confined to the Council of Ministers. This is an approach which is not easily understood in Spain. In a debate in the *Congreso de los Diputados*, it is accepted as normal behavior that members of Parliament can form groups or speak on behalf of their own autonomous region. Studies comparing voting behavior on roll-call votes in the U.S. House of Representatives and the European Parliament show a similar level of discipline along political group lines. Nevertheless, there are some typical features of Spanish presence in the European Parliament. The first feature is its concentration in the big political groups -particularly the European People's Party and the European Social Democratic Party- where a parliamentary culture prevails. This adds weight to the Spanish members in the debates, the law-making process and the budgetary decisions. The second feature is the high level of attendance and discipline that has made the Spaniards look like the "Southern Prussians". It is no wonder that there have been three Spanish Presidents of Parliament.

On policies, the Spanish strategic line has been to support all those that compose or coincide with the mainstream of the European general interest. In doing so, Spaniards have decisively contributed to shape this same interest. Its major milestones are to be found in the following domains:

- The substantial development of structural policies (regional, social and cohesion funds) with the doubling of their budgetary appropriations in 1987 and 1993. This was the outcome of the aspirations of the Delors Commission, the Spanish-German agreement in the Council of Ministers, and the active support of Parliament itself. It included the first push toward reform of the Common Agricultural Policy with the polemic reinforcement of assistance given to olive oil and other products which make up Spanish interests.
- The continuous support for strengthening the external dimension of European policies, including defense.
- The strengthening of Latin America as a partner within the network of International Relations of the European Union. The first steps were the active support of civil society and in favor of the plebiscite in Chile, and the San Jose Process in Central America which, in a way, was the first European involvement for peace in the U.S. area of influence.
- After the fall of the Berlin wall, support was immediately offered to German reunification. Chancellor Kohl has stated on record that the same night of that momentous event, he received the unconditional political and diplomatic support of two leaders, President Bush and Prime Minister González. As president of the European Parliament I had the honor of addressing President Mitterrand and Chancellor Kohl two weeks later. A temporary Parliamentary Commission was created to

work actively with the Bundestag in order to incorporate Eastern Germans as full citizens of the Federal Republic and the European Union. This positive approach was extended to the two successive enlargement rounds.

- With active Spanish contributions, the European Parliament launched the process of consolidating Europe as a parliamentary democracy, with a short list of goals that included the following: participation in the investiture of the president of the European Commission, legislative co-decision and European citizenship. This point was one of the main items for which Prime Minister Gonzalez arduously worked within the European Council.
- There was a pro-active policy of support and advancement of the reform process of the Amsterdam and Nice Treaties, the Charter of Fundamental Rights and the Constitutional Treaty, which was opened by Prime Minister Aznar as President of the European Council. Moreover, under the Rodriguez Zapatero Government, Spain was the first country to approve by referendum the Constitutional Treaty and carried out a very active policy of support in favor of its ratification. After the referendums in France, the Netherlands and Ireland, which brought the Constitutional Treaty to an end, the role of Spaniards in the European Parliament and in the Intergovernmental Conference has been constantly positive. This has also led to the Treaty of Lisbon and its implementation.
- Spain was amongst the first group of countries that created the euro. In the wake of the current financial and economic crisis, Spain has been affected but has strived to come up with a common political answer. The strengthening of the Economic Union is currently the most important Spanish priority.

In addition, during the last quarter-century, both Spain and its members of Parliament have been able to maintain a bipartisan consensus on European policies regarding all major decisions. For Spanish society, membership of the European Union has been both a driving force and a mainstay of modernization.

Today, the open question is whether this positive approach will maintain its momentum in the future. A cynical belief is that once a member state becomes a net contributor to the European budget, it will lose its enthusiasm. I do not share this view. The European Union is a work in progress. In fact, democracy is by definition a work in progress as well. It can always be improved and criticized. Dictatorships may seem perfect, but only while they last. One basic feature of democracies is that they do not rely on the character of a Duce, a Führer, a Caudillo or a Rais, but on a solid institutional framework.

Fortunately, for our younger generations, Europe is their best asset in a globalized world in which they can build their dreams and their future. The best piece of advice we can give them and the young people in Arabic countries, Latin America, China or Africa is the aphorism of Amiel, often quoted by Jean Mon-

net: "Each man begins the world afresh. Only institutions grow wiser; they store up the collective experience; and, from this experience and wisdom, men subject to the same laws will gradually find not that their natures change, but that their behavior does". To promote the values of democracy and its instrumental framework is an essential part of the mission of the European Union as demonstrated in the Treaty of Lisbon. Neither Spain nor the Spaniards will fail to accompany the Union in meeting this challenge.

**The Other Special Anniversary:
The European Union Center of Excellence
and the Jean Monnet Chair
(2001-2011)**

Joaquín Roy and María Lorca-Susino

University of Miami

The present volume is the culmination of a decade of accomplishment carried out within a fruitful partnership. In August 2008, the European Commission, the executive branch of the European Union (EU), granted financial support (about \$450,000) for a further 3-year cycle (2008-2011) of the European Union Center of Excellence (EUCE), a partnership formed in 2001 by the University of Miami (UM) and Florida International University (FIU). This was the third consecutive cycle of the Miami center. The first cycle ran from 2001 to 2004 and the second from 2004 until 2008. The total award over a ten-year period has been over \$1,320,000 in contributions from the EU budget.

The current U.S. list of EU Centers is comprised of:

1. *University of California, Berkeley*
2. *University of Colorado at Boulder*
3. *Florida International University and the University of Miami*
4. *Georgia Tech*
5. *University of Michigan*
6. *University of North Carolina at Chapel Hill*
7. *University of Pittsburgh*
8. *University of Texas at Austin*
9. *University of Washington (Seattle)*
10. *University of Wisconsin*
11. *Washington, DC, Consortium (American University, George Mason University, George Washington University, Georgetown University, The Johns Hopkins University)*

Simultaneously with the grant of 2001, the University of Miami was awarded a Jean Monnet Chair, one of the first five in the United States (Columbia, Boston, American University, George Mason University), when the program was opened to the rest of the world. Since its establishment, the Chair

has received \$210,300 in grants. The total of grants directly awarded to UM is approximately \$870,000. In the same year of 2001, the University of Miami was given the honor of receiving an EU Fellow, a high level EU staff member of the EU institutions who resides for a year or semester in different third-country universities.

The University of Miami is therefore included in a select list of 14 Universities in three continents:

1. *Harvard*
2. *Yale*
3. *Tufts*
4. *Texas*
5. *North Carolina/Duke*
6. *Univ. of Southern California*
7. *U. Washington, Seattle*
8. *George Mason*
9. *Berkeley*
10. *Pittsburgh*
11. *New York U*
12. *European University , Florence*
13. *Singapore*
14. *Miami*

This “hat trick” of awards (Center, Chair, Fellow) has made the University of Miami one of only a handful of institutions in the Western Hemisphere that has simultaneously three honors as a clear sign of confidence on the part of the EU. All our available energy has been dedicated to maintaining this triple honor.

The funding and other support, enriched by matching funds and student fellowships, has permitted the University of Miami to carry out:

- the consolidation of 4 courses on the EU at INS,
- the enrichment of other courses in the schools of Business and Law,
- the offering of dozens of lectures, conferences and symposia on campus
- a series of outreach activities in the wider Miami community and in Florida

- the organization of panels and seminars in international scholarly associations (ISA, EUSA, LASA, CES).
- lectures and symposia held in two continents, in 15 countries
- the publication of 10 edited volumes and 450 papers/chapters
- The completion of 10 Ph. D. dissertations.
- Regular media impact in two languages in both continents

As far as the University of Miami is concerned, the background to this decade of accomplishments can be traced back to the accession of Spain and Portugal to the European Community. In the late 1980s and early 1990s the European Parliament and the Commission engaged in the reinforcement of European relations with Latin America. Spain played a central role in promoting this expansion of the EU's external action. The University of Miami was fortunate then to receive the confidence of high representatives and officials of the European Union in supporting academic projects and consultancy assignments in the Caribbean and Central America. The time had come for the consolidation of several scattered activities and courses dedicated to the European Union, in general, and Spain, in particular. The past decade was preceded by the previous efforts developed in the context of the School of International Studies and the North-South Center, now inherited by the Department of International Studies.

The activities and research of the EU Center and Jean Monnet Chair have been dedicated to the understanding of standard topics and new developments in the evolution of the European Union (enlargement, constitutional processes, the projection of the EU model in the world, etc.). Special attention has been given to EU relations with Latin America, and the role of Spain in that process.

“Spain is the problem. Europe is the solution”. In this fashion Ortega y Gasset once dramatized the need to “Europeanize” Spain. The results over the first twenty five years of EU membership have been truly impressive. When Spain became a member of the EC, some of the best and brightest of Spain's governmental cadres and universities joined the expanding European institutions, taking on positions of responsibility. The most prominent chaired the European Court of Justice and the Parliament, holding key positions in the Commission, and filling the newly-created position of High Representative for the Common Foreign and Security Policy.

Spain in sum “was not different”, contrary to what old-fashioned tourist publicity for the country used to say. It was a European country, much like any other, that was returning to its natural home after a long exile. Spain, in turn,

received considerable benefits from EU membership through funds for regional investment policies, agriculture and rural development, and the modernisation of national infrastructure. From an index of 60 percent of the European average in 1986, today Spain's income per head is in the range of 105 percent, with some regions surpassing 125 percent. From being a country that was a net receiver from the EU budget, Spain today is a net contributor.

Reflecting this development, the present volume examines different dimensions of the deepening relationship between Spain and the rest of Europe through membership of the EU (its history, and its impact on policy development on economic growth and on relations with third countries).

This volume intends to contribute to the understanding of Spain's membership of the EU examined from a variety of angles and theoretical approaches. The chapters are the updates of the papers presented at a conference held at the University of Miami on February 25, 2011 under the sponsorship of the Miami European Center. The volume opens with a preface Vice President of the European Commission Joaquín Almunia, in which he reflects on what accession, has meant for both Spain and the European Union. An essay by former President of the European Parliament, Enrique Barón, follows on from this in which he shares his experiences of Spain's contribution in the Parliament. He reminds us that democracy has been the guiding principle of the EU since its creation but he also warns that democracy is, by definition, work-in-progress, and that the EU has demonstrated in the Treaty of Lisbon that it is committed to develop further, and promote, the values of democracy and the necessary institutional frameworks.

The first section of the book introduces the reader to a historical review of the Spain's long road to Europe; the Spanish role in the European integration process; the Spanish mediation role in relations between the EU and Latin America. In the first chapter, Charles Powell provides an account of Spain's evolving relationship with the European Community from the early pre-accession stages to the moment of accession in 1986. He concludes that Spain's accession to the European Community was the logical culmination of a process of socio-economic and political convergence and transformation. The second paper, by Cristina Blanco Sío-López, focuses on the historical evolution of both the discourse and the implementation of Spain's assumed task of seeking to link the two continents of Europe and Latin America. Sío-López concludes that there is a need for more consistency between, respectively, EU and Spanish policy regarding Latin America. However, the paper stresses the importance of Spain's mediating role in this field as a factor that led to its deeper involvement in the EU's foreign policy.

This section of the book concludes with the contribution of Sonia Piedrafita. Her work seeks to explain how Spain's and Portugal's respective decisions to apply for membership of the European Communities (EC) was partly driven by the need to overcome their authoritarian past and consolidate their

democratic systems whole promoting modernization. She concludes that this membership has helped both countries to enjoy the benefits of stable democracies, to achieve social and economic prosperity and to facilitate a return to the global political system.

The second section of the book opens with analysis provided by Ramón Mullerat which emphasizes that a unified Europe needs a unified law. His paper explains how Spain has implemented European legislation, offering at the same time an overview of the community legal system. In this context, he explains the meaning and significance of the concept of the *Acquis Communautaire*, the EU sources of law and their implementation, and concludes with a detailed analysis of changes brought about by the Lisbon Treaty. Blanca Vilà-Costa contributes to this explanation by presenting an innovative study on the legal *added value* of European membership in the case of Spain. She explains that the “Europeanization” of Spain has produced three main results: the modernization of the country, economic development and social welfare and the mobility of persons and companies. Based on this, she explains that the *added value* of this process has included the possibility for Spain to participate actively in European policy and legislative development and in that way to open new areas of action at the European level of benefit to Spain. The fourth paper offers an analysis of immigration policies in the southern frontier of the EU using Spain as a case study. This section concludes with the contribution of Luis Moreno on Spain’s membership of the EU and the European social model. He explains that the Spanish welfare state is a mix of corporatist Continental, liberal Anglo-Saxon, and social-democratic Nordic variances of welfare capitalism.

The third section deals with the economic aspects of Spanish membership and commitment to the EU. This section begins by presenting a paper by Sebastián Royo that summarizes the challenges that Portugal and Spain had to overcome in order to introduce economic reforms and qualify for EU membership. Francesc Granell contributes to this debate with a paper in which he explains how the Spanish authorities have managed the economy since 1986. María Lorca-Susino concludes this section by analyzing the economic cycle and the unemployment rate in Spain and the challenge presented by an apparent brain drain in the country.

The final section provides the reader with an explanation of the external dimension of Spanish membership of the EU. It begins with the ideas of José Ignacio Torreblanca who discusses the need for, and possible implication of, a democratic audit of Spain’s foreign policy. Haruko Hosoda explains how the United States has understood the impact of Spain’s membership of the EEC and NATO. She concludes that the United States was in favor of Spain being part of NATO. Although Spanish accession to the EEC was expected to negatively affect the United States in the short term from the economic point of view, the accession to the EEC was seen as, in the long run, making Spanish withdrawal from NATO less likely. This section follows with a paper by Vicente Palacio who

reviews the Spanish role in shaping the EU vision for the Americas. His thesis is that Spain has contributed to the development of a European foreign policy, particularly in Latin America, due to the Hispanic heritage, which has also served as a bridge for deepening the relations with the United States. The final contribution in this section is provided by Imtiaz Hussain whose study expresses the view that, just as Spain sought to look “beyond the nation state” in the immediate post-Franco years, its search “beyond the region” (European Union) today better connects its history to its national aspirations without having to sacrifice its *European-ness*.

Joaquín Roy provides the closing remarks to this volume. His essay reviews the background, context and impact of particularly novel aspects of the new treaty governing the EU, as well as several milestones in Spain’s experience of the European process. It ends with a description of the exercise to re-organize the rotating presidency in the first semester of 2010, just in time to commemorate the signing of the accession documents.

The people who in this past decade have contributed to the development of the EU Center are too numerous to be recognized individually. The previous publications have mentioned their role in each stage. In the first place, distinction should be awarded to the representatives and officials of the European Parliament, Council and Commission who have supported the EU Center. Rephrasing what Jean Monnet once said: all is possible with the work of people, but nothing is lasting without the role of institutions. These supporters know individually how much this enterprise owes them. They made a worthwhile but risky investment in backing our initial ideas and proposals. We could not have let them down. We trust that they feel they have been rewarded. An exception to anonymity should be made recognizing the skilful assistance provided by Ronald Hall, EU Commission fellow at the University of Miami, for the final development of this volume.

The same gratitude should be extended to a select group of staff and administration members at the University of Miami and Florida International University who encouraged us to continue in this task. We trust that they, too, should feel satisfied with the results, and we look forward to their on-going support. We would also like to recognize the outstanding service provided by the Computer Technical Support of the University of Miami.

Any academic activity would not be possible without the irreplaceable role of the students. Most especially, sincere recognition needs to be given to the doctoral students who have placed a career bet on entering a minority field in the realm of international studies. Some of these students have supported the operations of the Center and Chair with postdoctoral duties that have enriched the record of both entities, and providing a lasting legacy. Our thanks are owed to Aimee Kanner, Roberto Domínguez, Wendy Grenade and Astrid Boening. The future of the Center and Chair depend on their academic success. The EU as a whole needs them and the work that they have to offer both now and in the

future. The worlds of policy and academics in the United States will benefit from their insights, their teaching and their advice.

I. Historical Review

The Long Road to Europe: Spain and the European Community 1957-1986

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Abstract

This text seeks to provide a nuanced account of Spain's evolving relationship with the European Community from the early stages of European integration to accession in 1986. In doing so, it will explore the dilemmas facing an authoritarian regime that struggled to adapt to a hostile European political environment while seeking to benefit from the consequences of unprecedented economic growth and prosperity on the continent. In turn, this will allow us to examine the EC's efforts to develop a consistent policy towards a dictatorship that was almost universally detested by European democratic opinion but nevertheless tolerated (and occasionally courted) by member states competing for access to an increasingly attractive market. This paper also seeks to show that the relatively tough line taken by the EC with the Franco regime was to have a lasting impact on Spanish public opinion, which tended to identify "Europe" with democratic values and practices. This partly explains the political importance that was attributed to EC membership during Spain's transition to democracy, and accounts for the widespread support for accession which accompanied a protracted and often frustrating negotiation process (1977-1985), which is examined in some detail.

Introduction

This paper seeks to provide an account of Spain's evolving relationship with the European Community from the early stages of the European integration process to the moment of accession in 1986. In doing so, it will dwell at some length on the dilemmas facing an authoritarian regime that struggled to adapt to a hostile European political environment while seeking to benefit from the consequences of unprecedented economic growth and prosperity on the continent. In turn, this will allow us to examine the EC's efforts to develop a consistent policy towards a dictatorship that was almost universally detested by European democratic opin-

ion but nevertheless tolerated (and occasionally courted) by member state governments competing for access to an increasingly attractive market. In this regard, the EC's relations with the Franco regime constitute an interesting case study in the dilemmas of democratic conditionality as experienced by an international organisation that had not yet had the opportunity to develop a coherent policy of democracy promotion.

As we shall see, the relatively tough line taken by the EC in dealing with a non-democratic regime such as Franco's was to have a lasting impact on Spanish public opinion, and in particular on public perceptions of the nature of the European integration project as a whole. This partly explains the enormous political significance that was attached to EC membership during Spain's transition to democracy in the wake of Franco's death, which is examined here in some detail. Indeed there is reason to believe that a majority of Spaniards continued to support the goal of EC membership throughout a lengthy and often frustrating negotiating process (1977-85) precisely because of the political significance it had acquired over the years. This probably also partly explains the relative ease with which successive governments were able to carry out painful structural reforms that were generally justified in terms of the need to prepare the Spanish economy for EC membership.

1. From World War to Cold War

Given the origins and founding objectives of the European integration project, relations between General Franco's Spain and the institutions that initially embodied it could scarcely have been easy or friendly. The European Communities that gradually emerged in the mid-twentieth century were conceived to overcome the circumstances and consequences of the inter-war period, and the Spanish regime –which had received considerable military and political backing from the Axis powers during the Civil War (1936-39), and had later tentatively offered Hitler its support- was seen by many as a left-over from an era that had otherwise happily been put to rest. Franco's Spain paid a high price for this 'original sin', and alongside Finland, it was to be the only Western European country excluded from the Marshall Plan and, by extension, from the organisations that emerged on the back of United States reconstruction policy on the continent, most notably the Organisation for European Economic Cooperation (OEEC), set up in 1948. Evidently, a regime such as Franco's was equally incompatible with the Council of Europe, the intergovernmental but eminently political European organisation founded in 1949. Indeed in August 1950 the Council's Assembly became the first European institution to explicitly make democratization a precondition of membership, when it expressed the hope that "in the near future the Spanish people may be able to hold free elections and set up a constitutional regime, whose members will be eligible to serve as representatives in this Assembly". Finally, unlike the Salazar dictatorship, which benefited from Portugal's centuries-old

alliance with Britain, Spain was also barred from the North Atlantic Treaty Organisation, the major Western defensive alliance launched in 1949. It is important to note that the exclusion of Franco's Spain from the early stages of European integration, which initially developed under the auspices of the United States, occurred at the instigation of the major European democracies, which thereby condemned it to extreme dependence on Washington (Powell, 1995, pp. 16-20).

While uncompromising in their political hostility to the Spanish dictatorship, the Western powers were generally more sanguine when it came to trade relations. Thus, as early as 1948, the United States, Great Britain and France (which reopened its border that year) were already the largest buyers of Spanish exports, particularly agricultural produce, restoring the status quo that had existed prior to the Civil War. This is attributable to both the strength of commercial ties developed over many decades, and to the belief, widely shared in Western Europe, that an economic blockade would be more harmful to Spain's population than to the regime it sought to punish. This position was perhaps best expressed by the French Foreign Affairs Minister, Georges Bidault, during a debate in the French National Assembly concerning the 'Spanish question', when he argued that "il n'y a pas d'oranges fascistes; il n'y a que des oranges" (Martínez, 1989). It was thus that, despite their lack of sympathy for the Franco regime, throughout the 1950s the Western European democracies gradually strengthened their commercial and economic ties with Spain.

In view of the political hostility of Spain's major European trading partners, Franco sought the country's diplomatic reinsertion in the new post-war international order via Washington. By late 1946, the Pentagon's strategists were already seeking to convince the State Department that Spain could be very useful to the United States in the event of another international conflict. This interest only increased in the wake of the Berlin Blockade of 1948, and was confirmed by the outbreak of the Korean War in 1950. With growing support from the US, in November 1950 the United Nations withdrew the sanctions it had imposed on Franco in 1946 (with France and Great Britain abstaining), which paved the way both for the return of ambassadors to Madrid and for Spanish membership of the World Health Organisation (1951), UNESCO (1952), the International Labour Organisation (1953) and finally the UN itself (1955). This bilateral rapprochement between Spain and the US, which took the shape of sizeable loans and government aid from 1950 onwards, eventually resulted in the signing of the decisive September 1953 agreements, whereby Madrid granted Washington the use of four air and naval bases on Spanish soil in return for substantial military and economic assistance.

Although the economic benefits of the agreement were modest by Marshall Plan standards, its political and geo-strategic value was undeniable, for it anchored Spain firmly in the Western camp. It was thus that, less than a decade after the end of a World War in which Franco had taken sides with the defeated

powers, the United States and the Cold War enabled Spain to begin to escape the isolation to which it had seemed condemned. However, the 1953 agreement also had somewhat perverse consequences for Spain's relations with Europe, since the latter was able to benefit from its contribution to Western defense (however modest this may have been) without having to offer anything in return. In other words, despite being an eminently European power, Spain joined the Western alliance via the United States, as if its geography and previous history had nothing in common with that of its neighbors. Ironically, however, due mainly to the authoritarian nature of the Franco regime, this did not translate into particularly close political or social ties with the US either. In short, this paradoxical situation fostered feelings of isolation and exclusion from the Western European sphere to which Spain had traditionally belonged, a sentiment whose importance must be kept in mind when analyzing Spanish society's overwhelmingly pro-European stance in the post-Franco era.

2. The Franco Regime and the Early Stages of European Integration, 1951-62

For the reasons outlined above, Spain was not invited to participate in the early stages of the European integration process (Moreno, 1998). The creation of the European Coal and Steel Community (ECSC) in 1951 barely had any economic impact because these industries were still relatively underdeveloped in Spain. By contrast, Madrid was allowed to take part in preliminary talks concerning the creation of a European agricultural market (or 'Green Pool') in 1953, but the project was later taken over by the OEEC, forcing the government to negotiate entry into this body's agricultural committee, something it did not achieve until 1955, by which time the project had collapsed. More importantly, Spain was later excluded from the negotiations leading to the signing of the Treaties of Rome in 1957, which resulted in the birth of EURATOM and the European Economic Community. However, given that at the time the Six only purchased 30 per cent of Spain's exports and provided 23 per cent of its imports, the regime initially believed it could afford to remain aloof.

In Spain the year 1957 is generally associated not with the Rome Treaties, but with the appointment of a new government dominated by 'technocratic modernizers', who initiated a far-reaching transformation of the country's economy policy. Both events, however, were closely related. If the regime decided to abandon its policy of economic self-sufficiency (autarky) it was out of fear that it was leading to an economic disaster of unthinkable social and political consequences, an outcome that would inevitably be attributed to its failure to develop closer ties with the major European economies. More specifically, Spain's exclusion from the OEEC had prevented it from benefiting from the European Payments Union, set up in 1950, thereby perpetuating the peseta's non-exchangeability; in practice, this meant that imports could only be paid with for-

eign currency earned via exports. Indeed the new government's Stabilization and Liberalization Plan of 1959 would not have succeeded had Spain not finally joined the International Monetary Fund and the World Bank (1958), and later the OEEC itself (1959), whose experts and funds helped design and finance it. In short, the Plan accelerated the process of Spain's Westernisation which dated back to the 1953 agreements with Washington, though in this case the measures implemented would result in a growing Europeanization of the Spanish economy which, in the medium and long term, resulted in weaker commercial ties with the United States.

Though initially greeted with considerable scepticism, if not hostility, the birth of the Community and the fear of being permanently excluded from the major continental markets induced the Madrid government to improve its bilateral relations with the leading member states. The regime was particularly successful in the case of France, as evidenced by the signing of a major trade treaty in 1957 and Paris's decision to lift restrictions on arms sales in 1958, as well as by the joint commemoration of the three-hundredth anniversary of the Treaty of the Pyrenees in 1959. What was more, Spanish Foreign Minister Fernando Castiella developed a good working relationship with his counterpart Maurice Couve de Murville and even General Charles de Gaulle himself. Spain seemed well placed to take advantage of a Gaullist "Europe des patries" led by France, in which the absence of strong supranational institutions would grant leading member states a considerable say in judging future membership applications. In parallel, Madrid also made every effort to win the trust of the Federal Republic of Germany, which was then actively seeking to reassert its national sovereignty. A major obstacle standing in the way of closer bilateral relations was overcome in 1958, when agreement was reached cancelling economic claims dating back to the Civil War. Castiella visited Bonn in 1959, and Finance Minister Ludwig Erhard, the so-called father of the German economic miracle, returned the visit in May 1961. The Franco regime was less successful in its efforts to ingratiate itself with Italy and the Benelux countries, however, which remained consistently hostile to closer ties with Spain.

The birth of the Community in 1957 led to an interesting debate within the Spanish administration regarding the nature and future evolution of the European project, and the political and economic challenges it might pose for an authoritarian regime such as Franco's. The preamble to the Rome Treaty mentioned the need to "preserve and strengthen peace and liberty" amongst the EC's goals, but this was not seen as an insurmountable obstacle to membership. Although article 237 stated that "any European state may apply to become a member of the Community", however, the decision to accept new members required not only the unanimous support of all governments, but also the approval of national parliaments. The debate was further complicated when seven other European states, led by Britain, came together to launch the European Free Trade Association (EFTA) in 1959. The EC appealed to the government because its members were

amongst Spain's major trading partners (with the significant exception of Britain), but its political philosophy seemed incompatible with Francoism. In contrast, the EFTA was thought to be less demanding politically (as evidenced by the presence of the Portuguese dictatorship amongst its founder members), but it was also less appealing in economic terms, even though Britain accounted for sixteen per cent of Spain's exports, as opposed to Germany's fifteen and France's nine per cent. Like Britain, Spain had initially hoped that the rivalry between the Six and the Seven would eventually result in a large free trade area organised around the former OEEC, thus sparing it the need to choose between them. However, EFTA lost all of its appeal in Spain when Britain put an end to this debate by applying for EC membership in August 1961, with Ireland, Denmark and Norway in its wake. Furthermore, Madrid had reason to fear that the Community's incipient Common Agricultural Policy (CAP), which began to take shape in early 1962, would have crippling consequences for Spanish fruit and vegetable exports to the Six. The signing of an association agreement with Greece in July 1961, as well as the opening of talks with other Mediterranean countries, only served to confirm the suspicion that Spain had no option but to follow suit.

Franco and his alter ego, Admiral Luis Carrero Blanco, were always highly suspicious of the EC, and feared that any attempt to establish closer relations with Brussels would make them increasingly vulnerable to external political pressure. With considerably difficulty, however, the technocrats who had designed the Stabilization Plan convinced them that the time had come to abandon their wait-and-see tactics. In doing so, they were greatly encouraged by expressions of French and German support, and not without reason: in November 1961, after meeting Foreign Minister Castiella, De Gaulle had gone so far as to praise "the attitude of Franco and the Spanish regime as a factor for stability and social peace in the world and especially in Europe". This diplomatic support from France (and also Germany) partly explains why Madrid underestimated the importance of a debate held in the European Parliamentary Assembly in January 1962, to examine a report compiled by the German social democrat Willy Birkelbach, a former political prisoner under the Nazis, who had been appointed *rapporteur* of a working group on association and membership applications. Drafted with Spain very much in mind, it argued that "states whose governments do not have democratic legitimacy and whose peoples do not participate in the decisions of the government, neither directly nor indirectly by freely-elected representatives, cannot expect to be admitted in the circle of peoples who form the European Communities", and concluded that "the guaranteed existence of a democratic form of state, in the sense of a free political order, is a condition for membership". In the knowledge that the Assembly's approval was not necessary for membership agreements, the Spanish government went ahead regardless, formally requesting "the opening of negotiations to examine the possibility of establishing an association with the Community capable of leading in time to a complete integration" on 9 February 1962. By way of justification, Castiella's

application cited Spain's "European vocation", its geographical position and territorial contiguity with the EC, and its programme of economic reform. By way of reply, on 20 February Birkelbach formally enquired of the Council of Ministers and the Commission whether they believed it necessary to consider a request from "a regime whose political philosophy and economic practices are in complete opposition to the conceptions and structures of the European communities". His question attracted considerable attention, not least because it was the first time the Council had ever been faced with a direct oral question from a member of the Parliamentary Assembly (Thomas, 2006, pp. 1197-1201).

Admittedly, the Birkelbach report had referred to full membership status, and not the type of association agreement contemplated in article 238 of the Rome Treaty and sought by Spain. Furthermore, as the Greek case appeared to demonstrate, association agreements could accommodate different modalities of relationship with the EC. With the benefit of hindsight, however, it would seem that the Spanish government made a major tactical mistake by not requesting a more modest commercial agreement, as its own Ministry of Commerce had recommended. The application for associate status provoked a remarkable reaction from the Franco regime's many enemies in Europe, who mobilised via political parties, trade unions, and the media, in an unprecedented effort to stymie what might otherwise have been an unspectacular diplomatic overture. Although Communist and Socialist activists were particularly vocal in their condemnation, Liberals and Christian Democrats also played a prominent role. Most surprisingly, perhaps, non-state actors proved most effective in voicing their concern. In June 1962, over one hundred Spanish opposition leaders, both exiled and resident in Spain, convened at Munich under the auspices of the IV Congress of the European Movement, and came to the conclusion that "integration of any country with Europe, whether in the form of full membership or of association, requires democratic institutions", and produced a catalogue of prerequisites for Spanish membership largely borrowed from the European Convention on Human Rights. The Franco regime's more enlightened spokesmen had argued that associate status would accelerate the country's political evolution, but opposition groups countered that this would deprive it of any incentive to abandon authoritarianism.

True to form, the Franco regime shot itself in the foot by overreacting wildly to these events: on returning from Munich, dissidents residing in Spain were forced to choose between exile and confinement, provoking further expressions of protest from numerous European national parliaments, political parties, trade unions and EC officials. In light of this reaction, and in spite of considerable official French and German sympathy for the Spanish application, at the insistence of the Benelux countries, most notably Belgium, the Council of Ministers decided to reply with a mere *acusé de réception*. To a very large extent, the Community was saved in October 1962 by the Commission's decision to put all applications on hold until negotiations with Britain had been completed. In turn,

this allowed Madrid to pin blame for the failure of its application on the EC's internal decision-making crisis.

Ironically, it was the regime's application for associate status that prompted leading European political actors to seek to make explicit what had hitherto been left intentionally vague. The Birkelbach report thus represents an early expression of democratic conditionality, which had the additional value of providing the Parliamentary Assembly with a pretext to monitor future political developments in Spain. One author has gone so far as to argue that this episode reveals that the constitutionalization of the EC, defined as the embedding of democratic and human rights principles in its treaties and jurisprudence, did not start with the drafting of a treaty or the crafting of a court opinion regarding the proper exercise of authority within the new community's borders, but with a political struggle to set the rules by which the EC would respond to applications for membership (Thomas, 2006, 1190-1191). In Spain itself, the general public gradually became aware of the existence of a veto that would only be lifted once the country finally moved towards democracy. As a result, Spain's internal democratization and its membership of the EC increasingly came to be perceived as part and parcel of the same process.

3. Coming to Terms with Rejection, 1962-75

In view of the EC's prolonged silence, in January 1964 Foreign Minister Castiella approached Brussels once more, though without explicitly alluding to the goal of associate membership. This finally enabled the EC to reply in June of that year, with a rather modest agreement to examine the economic problems posed for Spain by European integration with a view to finding possible solutions. Though widely regarded as the regime's strongest ally in Europe, De Gaulle once again disrupted Madrid's plans by provoking the 'empty chair' crisis, finally solved in January 1966 thanks to the so-called 'Luxemburg Compromise'. Once these obstacles were overcome, in July 1967 Brussels offered Spain a mere preferential agreement on commercial trade (as envisaged in article 113 of the Rome Treaty), a politically neutral formula which gained support in the Community following the military coup in Greece that same year, which led to the first suspension of an association agreement for political reasons.

In the 1960s, relations with the EC became increasingly important to Spain owing to the European dimension of the three factors that most affected its economy, namely foreign investment, tourism and emigration. In the wake of stabilization, European capital gradually began to perform the role previously played by US investments. Similarly, by 1967 over 80 per cent of tourists visiting Spain originated in the Six. Finally, most of Spain's emigrant workers, whose remittances increased sharply in value, chose EC countries as their destination. Furthermore, rapid economic growth in the 1960s failed to eradicate fundamental economic weaknesses while helping to create new ones, the most important of

which was the structure of foreign trade. Although exports grew rapidly during the 1960s and early 1970s, imports advanced even faster, resulting in a steadily worsening trade deficit. Additionally, the mix of Spain's trade exchanges gave it a tenuous position in world markets: many of Spain's big export industries, such as steel, textiles and automobiles, faced growing foreign competition as well as stagnating demand. For all these reasons, Madrid hoped closer relations with Brussels would grant it a greater say in decisions that greatly affected the Spanish economy (Powell, 1995, p 23; Smith, 1998).

Although the political status of the Preferential Agreement finally signed with Madrid in June 1970 was arguably more modest than that of the association agreements with Morocco and Tunisia, in economic terms it was to prove highly favourable to Spanish interests. The agreement envisaged a significant reduction in tariffs by the EC which greatly boosted Spanish industrial exports to the Six, while the Spanish side was allowed to implement more modest reductions, thereby preventing a massive influx of imports which might have plunged the domestic market into turmoil. As a result, while in 1970 some 46 per cent of Spanish exports went to Community markets, by 1985 the figure had risen to 52 per cent. However, some authors have regretted that the 25 per cent average tariff reduction for industrial goods (as opposed to the EC's 63 per cent) was too cautious, with the result that Spanish industry –particularly sectors such as shipbuilding–remained over-protected from external competition.

The favourable impact of the Preferential Agreement was significantly undermined by British accession to the EC in January 1973. Until then, Spain had been able to export up to 25 per cent of its agricultural produce to Britain without restriction, but EC membership brought with it new tariff barriers. The signing of a complementary protocol in January 1973 mitigated the impact of enlargement somewhat, but in return Brussels urged Spain to lower its industrial tariffs faster than initially planned, leading to an unsatisfactory stalemate. By this stage, however, growing popular opposition to the regime was seriously impairing its ability to negotiate with the EC and its member states. In December 1970, the death sentences meted out to three ETA activists by a military court –though later commuted by Franco– sparked protests throughout Europe, leading the Commission to warn Madrid of the possible consequences for its relations with the EC. In December 1973, the sentencing of ten trade union leaders to 162 years in prison provoked a similar response. The assassination of Prime Minister Carro Blanco by ETA that same month triggered a fresh wave of repression, which eventually led to the sentencing and execution of five activists in September 1975, only months before the dictator's death. The regime's refusal to commute the sentences on this occasion resulted in the worst crisis in the history of Spanish-EC relations: all nine member states (save Ireland) withdrew their ambassadors in protest, and the European Assembly and the Commission successfully demanded that the Council freeze ongoing negotiations to adapt the 1970 Preferential Agreement to the recent enlargement.

With the benefit of hindsight, it may be argued that the EC's strategy towards the Franco regime was generally successful. Had it granted Spain associate status, the regime would have claimed it had been fully accepted by the Western democracies, and authoritarianism would have been strengthened as a result. On the other hand, Spain's indiscriminate exclusion from the European markets would have punished Spanish society at large, and not just the dictatorship. In effect, the Preferential Agreement allowed Brussels to steer a middle course, which had the virtue of contributing to the so-called Spanish economic miracle (in 1959-74 Spain grew faster than any other country in the OECD, save Japan), while at the same time preparing its economy for full EC membership in the not-too-distant future.

At a political level, the EC's decision to keep Franco at arm's length also proved far-sighted. By depriving Spain of the real (and imagined) benefits of full integration in a rapidly-developing Community, the EC's veto helped to undermine the ruling authoritarian coalition, elements of which began to regard the regime's continued existence as a hindrance to their present and future prosperity. Additionally, the veto enforced by Brussels, together with the growing prosperity and stability of member states in the 1960s, helped to enhance the appeal of parliamentary democracy as practised in Europe in the eyes of Spanish elites and public opinion at large. More specifically, the EC came to be seen as the embodiment of European values, most notably liberal democracy, and as an antidote to the regime's authoritarianism. It thus came to be widely accepted that democratization would be incomplete unless it was formally sanctioned not only by the major European states, but by the EC institutions as well (Powell, 1996).

Finally, both before and during the transition to democracy proper, the prospect of EC membership provided guarantees and reassurances to those who faced a post-authoritarian future with apprehension. As one author has observed, membership could be expected to guarantee the free movement of capital, the freedom to travel and work abroad, and most importantly, legal protection against arbitrary confiscation of property. As a result, those sectors of the Spanish population who feared that Franco's death might lead to a violent overturning of the established socio-economic order came to regard the EC as an external wall of containment against possible revolutionary excesses. Indeed the same author has gone so far as to argue that, if such external guarantees had existed in the 1930s, those apprehensive about the consequences of democratization would have been far less inclined to take up arms against the II Republic (Whitehead, 1986).

4. Spain and the EC, from Dictatorship to Democracy

Franco's death on 20 November 1975 was greeted with a combination of relief and hope by the EC. In his coronation speech two days later, King Juan Carlos proclaimed Spain's commitment to full integration in Europe's major institutions, a goal subsequently reaffirmed by prime minister Carlos Arias Navarro. By so doing, they effectively invited the EC (and the Council of Europe) to monitor internal developments closely, and to pass judgement as to when and how the political requisites for membership should be met.

Largely in an attempt to strengthen the king's standing at home, the EC Council of Ministers agreed to resume talks with Madrid in early 1976, before the new government had provided significant evidence of its democratizing intentions. This prompted a major debate on Spain in the Parliamentary Assembly, in the course of which Socialist and Communist MEPs dismissed Arias Navarro's programme as a half-hearted liberalization of the existing political system. A tour of the nine EC capitals by Foreign Minister José María de Areilza, a committed liberal who lacked genuine authority, failed to convince his hosts of the government's ability to carry out far-reaching reforms. Relations soured further in April, following the arrest of political leaders who had met to announce the creation of a unified opposition platform, prompting a formal protest from EC heads of government which greatly embarrassed the young king. A month later the Parliamentary Assembly adopted a text by its *rapporteur* on Spain, Maurice Faure, which once again linked Spanish membership of the EC to progress on the road to democracy. Faure specifically condemned Arias Navarro's plans for a bicameral Cortes, in which a democratically elected Congress would co-exist with a 'corporatist' Senate, on the grounds that such an arrangement "would not measure up to the democratic standards we in the countries of Western Europe set for ourselves". Significantly, he also objected to the government's attempts to exclude communists from the first elections, arguing that "the legal existence of communist parties is a characteristic common to our Western democracies", and consequently a requisite for Spanish accession to the EC. Although the king's decision to dismiss Arias Navarro and replace him with Adolfo Suárez in July 1976 was largely the consequence of his failure to provide effective leadership at home, mounting European pressure in favour of democratization also played a significant role.

Suárez's appointment led to an immediate improvement in Spain's political relations with the EC. After discussing his programme with government and opposition representatives in Madrid, Faure agreed to give him the benefit of the doubt, and in December 1976 he returned to Spain to express the Parliamentary Assembly's satisfaction at the success of the referendum on the decisive Law on Political Reform, which paved the way for free elections in June 1977. Before these took place, in April MEPs reacted to the legalization of the Communist Party with a resolution which amounted to an enthusiastic endorsement of Suár-

ez's performance thus far. Finally, in July the Parliamentary Assembly greeted Spain's first free elections since 1936 with a resolution expressing the "political will to see Spain occupy its place in the European Community as soon as possible", in view of which the second Suárez government immediately submitted its application. That autumn, the prime minister embarked on his first –and last– tour of the nine EC capitals, in the course of which it became apparent that, in spite of having met the political requisites laid down by Brussels, the road to full membership would be a difficult one. Nevertheless, this external endorsement of Spanish democratization by the EC was extremely important in the eyes of domestic political actors and the public at large.

Membership of the EC was thus sought for essentially political motives. Given the widely-shared perception that there was a strong causal link between the establishment of a democratic political system and accession to the EC, only the latter's recognition could render the new parliamentary monarchy fully legitimate in the eyes of most Spaniards. Furthermore, the consolidation of the new democracy could best be underpinned by EC membership, which would somehow prevent Spain from sliding back into authoritarianism. It is interesting to note, in this regard, that the symbolic importance attached to EC membership appears to have been considerably greater in Spain than in Portugal or Greece, the other two southern European countries undergoing democratization at the time. This has been attributed to the fact that, while Spain was totally excluded from European institutions during the post-war years on account of Franco's 'original sin', alluded to earlier, Portugal was allowed to join both NATO and EFTA, while Greece, which was a member of both the Alliance and the Council of Europe, also enjoyed a closer relationship with the EC on account of its association agreement of 1962. Furthermore, the accommodating attitude of some European states towards the Greek military dictatorship established in 1967 appears to have undermined the EC's prestige in the eyes of many Greeks. This may partly explain why in Spain the goal of EC accession enjoyed the unwavering support of all major political parties, including the communists, while in Greece and Portugal it failed to attract the unanimous support of either their parliaments or their people (Powell, 2000).

Three additional motives for seeking accession deserve mention here. Above all, EC membership was seen by many as the best means of overcoming decades –perhaps centuries– of social, political and economic backwardness. Of course the notion that only closer ties to Europe could lift Spain from its state of prostrate insignificance was hardly new: in the aftermath of the Spanish-American War of 1898, in which Spain had lost its remaining major colonies (Cuba, Puerto Rico and the Philippines), a new generation of intellectuals and politicians had come to precisely this conclusion, and in 1910 the philosopher José Ortega y Gasset had gone so far as to declare that 'Spain is the problem, and Europe the solution'. What is remarkable is not so much the fact that this diagnosis rang as true in the 1970s as it had over sixty years earlier, but rather that it

was specifically relevant to Spain's integration in a Community based on the notion that member states' interests could best be advanced (and protected) by pooling their sovereignty. In short, the idea that a combination of 'less Spain' and 'more Europe' would enable the country to overcome many of its long-standing structural problems sat comfortably with the goal of integration in a supranational entity. This partly explains why Spaniards would later remain enthusiastic supporters of the process of European integration: 'deepening' could hardly be regarded as a threat by those anxious to overcome an unhappy past in a Community which appeared to embody the promise of a better future.

Secondly, EC membership was widely perceived as a means of overcoming decades of international isolation and irrelevance. In this sense, accession has been described as a cure for the collective inferiority complex nurtured by Spaniards for generations, which cannot be attributed exclusively to the feelings of rejection accumulated during the Franco era (Jover, 1986). Though Francoism did nothing to dispel them, doubts as to Spain's European identity in other parts of the continent long predated the Civil War and the dictatorship. As one author has argued, Spain was on the outer limits of the concept of Europe held by most Europeans who had considered themselves such for some time (Mesa, 1988). This would explain, for example, why King Juan Carlos felt the need to use his coronation speech to solemnly remind the world that "the idea of Europe would be incomplete without reference to the presence of Spain and without consideration for the activities of my predecessors. Europe must take Spain into account, because we Spaniards are European". In spite of the above, it is nevertheless true that most Spaniards attributed the duration and intensity of Spain's international isolation primarily to the Franco's regime, which is why many associated democracy not just with Europe, but with a more dignified international status overall (Álvarez, 1996).

Finally, EC membership was also attractive in the 1970s because it was widely believed it would help defuse mounting centre-periphery tensions. During the transition to democracy, peripheral nationalists (in Catalonia and the Basque Country particularly), paid lip service to the notion that remaining within Spain would be less unpalatable if it proved compatible with accession to the EC. Implicitly, the hope was that by devolving competences 'downwards' to the regions and 'upwards' to Brussels, the Spanish state would gradually wither away, enabling the former to establish closer direct links with EC institutions. Though these assumptions turned out to be largely unfounded, they certainly proved useful during membership negotiations, ensuring the support of the major nationalist parties for the central government's efforts (Quintanilla, 2001).

In addition to these essentially political motives, there were of course very powerful economic arguments in favour of Spain's application. As already mentioned, the Spanish economy had experienced very significant development in 1959-74, but the engines of growth (emigrants' remittances, tourism, foreign investment and technological imports) had begun to falter in the wake of the

1973 international oil crisis. Furthermore, Spain's industrialization model, based on protectionism, tariff barriers and considerable state intervention, had become out-dated. Experts thus increasingly saw EC membership as a means by which to modernize the Spanish economy by exposing it to much-needed open market discipline (Closa & Heywood, 2004, p. 14).

However, it was the asymmetric nature of its commercial relations with EC member states that added a special sense of urgency to the Spanish application. In 1977, 48 per cent of its exports were bought by EC member states (57 per cent of agricultural produce, including 80 per cent of fruits and vegetables), while 30 per cent of its imports came from the Nine (including 39 per cent of its industrial goods). Isolation from Europe made no economic sense, and the cost of non-membership would greatly outweigh the cost of adapting to integration. The fact that some nine hundred thousand Spaniards were then earning a living in EC countries was a secondary, though by no means insignificant, consideration. Finally, the Spanish government feared that any delay in lodging its application for membership would allow Brussels to concentrate on Greece and Portugal –who had submitted theirs in June 1975 and March 1977, respectively- thereby giving the EC an excuse to delay consideration of Spain's case until these had been resolved. Despite the reticence of many member states, with considerable French assistance Greece later succeeded in distancing itself from the two Iberian candidates, joining the EC in 1981 (Bassols, 1995).

Madrid's application was received with a mixture of joy and apprehension by the Nine. Like those of Greece and Portugal, Spain's request reflected the progress of democracy in Europe, as well as a gratifying recognition of the EC's growing prestige. However, unlike the other two southern European applications, it caused serious concern on account of the size and structure of the Spanish economy. More specifically, the Commission and a number of European capitals were alarmed by the competitiveness of some of Spain's agricultural products, the size of its fishing fleet, the possible future mobility of its workforce and the relative poverty of some of its regions.¹

In a nutshell, these accession negotiations can be described as the process whereby EC industrial goods were granted access to the Spanish market in exchange for Spanish agricultural products gaining access to those of the Nine. In Spain itself, the difficulties encountered have generally been attributed to French (and to a lesser extent, Italian) opposition, which certainly contrasted with the more constructive attitude of Germany and even Britain. However, it should be remembered that the opening of negotiations came at the worst possible moment. In 1979, Europe plunged into the second economic crisis of the decade, when it

¹ Spain's accession implied a 25 per cent increase in the EC's agricultural workforce; a 30 per cent increase in arable land; a 48 per cent increase in fresh fruit production; and a 59 per cent increase in olive oil production. Furthermore, Spain's fishing fleet totalled 70 per cent of the fleet of the Nine; following its accession, one out of every three fishermen in the EC would be Spanish.

was still reeling from the effects of the first. Furthermore, serious disagreement over the structure of the EC budget, the future of the CAP and the so-called 'British Rebate' resulted in an almost unprecedented internal paralysis.

The first phase of the negotiations opened with Spain's application on 28 July 1977, to which the Commission responded with a favourable opinion in November 1978. (In February of that year Suárez had made one of his closest political allies, Leopoldo Calvo Sotelo, minister responsible for relations with the EC). Following its approval by the Council of Ministers and the European Parliament, formal negotiations started in February 1979. France, however, immediately instigated a variety of delaying tactics, such as the request that the Commission provide a '*vue d'ensemble*' before allowing negotiations to get underway. Despite their public support, other member states, ostensibly scandalised by France's attitude, chose to hide comfortably behind Paris's position, artfully concealing their own misgivings. Alarmed by France's attitude, in November 1979 Suárez travelled to Paris to meet President Valéry Giscard d'Estaing and Prime Minister Raymond Barre, but to little avail (Crespo, 2000).

Spanish fears were confirmed in June 1980, when the French president publicly announced that the Iberian enlargement (but not Greek accession) would have to wait until the consequences of British membership had been fully digested. Although in Spain this position was initially attributed to the upcoming presidential elections scheduled for May 1981, and the need to woo voters in southern France, it was in fact strongly reminiscent of De Gaulle's stance towards Britain and the CAP in the 1960s, in the sense that the ultimate goal was to modify the internal rules of the game in France's favour before the next enlargement deprived it of the ability to do so. This was largely confirmed by the fact that the socialist François Mitterrand, after duly defeating Giscard d'Estaing in the presidential election, was soon pursuing a very similar policy to that of his conservative predecessor. This became evident in June 1982 during his first official visit to Spain, when he demanded that the Commission draft a new 'inventory' of the problems posed by enlargement. In short, negotiations reached a stalemate because France insisted on reforming the financing of the CAP before enlargement so as to prevent Spain's accession from harming its interests, while Germany initially refused to increase its overall contribution to the EC budget in order to make this possible. To make matters worse, this European *impasse* coincided with a deep political crisis in Spain itself, which led to Suárez's resignation as prime minister and leader of his party in January 1981, and the subsequent coup attempt in February, both of which further undermined Madrid's bargaining position. Nevertheless, Spaniards were pleased by the Commission's formal condemnation of the coup, and the European Parliament's call for acceleration in accession negotiations. By that stage, the idea that EC membership would help to underpin democratic consolidation was widely adhered to both in Spain and abroad.

Lack of progress in the negotiations encouraged domestic actors to air their concern about the economic consequences of accession. Since Spanish agri-

cultural products did not have a viable alternative to EC markets, industrialists feared that the government would seek a favourable trade-off at their expense. Though generally supportive of EC membership, the Confederación Española de Organizaciones Empresariales (CEOE), Spain's leading business association, feared that the elimination of industrial tariffs would open them up to devastating competition from more efficient European firms, and therefore advocated a very long (ten-year) transition period. Later, in 1982, it was particularly outspoken in its criticism of the government for having agreed to introduce value added tax from the moment of accession, as the Commission had requested. More generally, CEOE leaders feared that, due to their domestic political difficulties, Suárez (and later Calvo Sotelo) would accept highly unfavourable terms in a desperate attempt to conclude negotiations at any cost. While this criticism may have undermined the standing of both prime ministers in the eyes of some voters, paradoxically, it probably strengthened the bargaining position of Spanish negotiators as well (Closa & Heywood, 2004, p. 21; Jones, 2000).

Throughout his time in office, Suárez, who spoke neither English nor French, showed little interest in Community affairs, and only visited Brussels once, in November 1977. Though he remained committed to the goal of EC membership throughout his premiership, the fact that progress in the negotiations was at best unspectacular partly explains his aloofness. It is also interesting to note that he was careful never to link EC and NATO membership, probably because he always harboured doubts about the latter, which was also far more controversial. Suárez had initially feared that serious disagreement over foreign policy might jeopardise the badly-needed domestic consensus successfully forged during the constituent process. Once the new Constitution had been adopted in December 1978, however, the major left-wing parties, which remained strong supporters of EC membership, became increasingly vocal in their opposition to NATO.

Suárez's successor, Calvo Sotelo, held a slightly different view of Spain's role in the world, and in his inaugural speech of February 1981 he promised to develop a "European, democratic and Western" foreign policy. Calvo Sotelo was strongly committed to the Atlantic alliance, and saw no contradiction between Spain's future presence in NATO and its willingness to play a more active international role. Seen in this light, Spain's application for NATO membership in December 1981 (which had been endorsed by Parliament in October) was partly designed to strengthen its appeal in the eyes of other signatories of the Washington Treaty who also belonged to the EC, by proving Spain's commitment to the defence of the West. In other words, for Calvo Sotelo, EC and NATO membership were not only perfectly compatible, but mutually reinforcing (Calvo Sotelo, 1990).

The application for NATO membership, ratified in May 1982, unleashed considerable political turmoil, making serene and informed debate on Spanish foreign policy conspicuous by its absence. Curiously, the possible impact of this decision

on the on-going negotiations with the EC was hardly ever raised in public. Nevertheless, some critics did argue that NATO membership would make Spain a less attractive candidate in the eyes of the EC, on the somewhat bizarre grounds that a country so clearly aligned with Washington would have fewer chances of acting as a 'bridge' between Europe and Latin America.

5. Negotiating in Earnest

The landslide victory won by Felipe González's socialist party (PSOE) in the October 1982 elections provided the new government with a strong popular mandate, such as Suárez had never enjoyed. For both political and economic reasons, EC membership was González's foreign policy priority.² Intellectually, the new prime minister's outlook was strongly influenced by the so-called 'Generation of 1914', and in particular Ortega y Gasset, who as early as 1909 had urged the PSOE to be the "party that will make Spain European". For González, membership of the Community had considerable symbolic value, since it represented a chance not only to overcome the international isolation of the Franco period, but also what Ortega had called Spain's 'Tibetization', in other words, its exclusion from the European cultural mainstream.

From an economic viewpoint, if anything EC membership seemed more urgent in 1982 than it had in 1977. Partly due to the uncertainty generated by the transition to democracy, Spain's economic performance during the intervening years had been poor: whereas most other European nations had rebounded from the 1973 oil shock by 1976, Spain never fully adjusted. The result was an increase in unemployment and inflation, and a sharp decline in foreign investment. Furthermore, in order to prepare the economy for EC membership, the government faced the task of reforming an outmoded small-scale agricultural sector, an ill-adapted financial system hobbled by undercapitalized banks and securities markets, and an industrial sector handicapped by inefficient state-run firms. Although the economic measures introduced proved socially painful- with unemployment rising from 15.6 per cent in 1982 to 21.1 per cent in 1985- the government's popularity allowed it to ride the storm without great discomfort. The prospect of membership thus became both a pretext and a catalyst for the modernization and opening-up the economy to the outside world, as well as for adapting an outdated state bureaucracy to the new needs and demands of Spanish society (Powell, 2001).

² Inevitably, lack of progress in negotiations hurt the EC's popularity somewhat. In April 1980, 58 per cent of Spaniards had espoused favourable views on membership, 13 were divided and only five per cent were against. By October 1982, those in favour had dropped to 48 per cent, uncertainty had increased to 24 per cent, and rejection rose slightly to seven per cent. However, in Portugal during this period those with favourable views of EC membership never exceeded 25 per cent of the population. Eurobarometer, 18, December 1982.

In the process leading to EC/EU membership, what is truly decisive is not so much the bilateral negotiations between Brussels and the candidate country, but rather the discussions between existing member states, who have to reach an agreement first regarding the cost of enlargement, and the ensuing burden-sharing. (Indeed a candidate country does not have a great deal to negotiate, other than the rate at which it complies with the rules of the club that it plans to join, namely the *acquis communautaire*). Increasingly aware that, in the Spanish case, this agreement would essentially require a prior understanding between France and Germany, González and his government focused their efforts on furthering bilateral ties with Paris and Bonn. This decision also made good economic sense, since these two countries were also Spain's major trading partners: by 1984, they accounted for 54.3 per cent of Spanish imports (25.7 per cent from France and 29.6 per cent from Germany) and 50 per cent of exports (with 30.6 per cent going to France and 19.5 per cent to Germany). Furthermore, between them they provided a quarter of all foreign direct investment.

Initially, Mitterrand did not seem very willing to make concessions to González, despite their ideological affinity. In line with his predecessor's approach, in December 1982 he announced that the reform of the CAP and a solution to the British contribution to the EC budget should precede enlargement. Consequently, Madrid sought the complicity of the German Chancellor, the Christian Democrat Helmut Kohl, who was whole-heartedly in favour of enlargement for political, economic and geo-strategic reasons. In May 1983, González duly visited Kohl to offer him his unconditional support for the deployment of *Pershing* missiles on German soil in the face of stiff opposition from his colleagues in the German Social Democratic party (SPD), and in blatant contradiction with his own electoral programme, which had demanded the removal of all medium-range missiles from Europe. This gesture partly explains why Kohl spoke out so forcefully at the Stuttgart European Council held in June, explicitly linking the successful outcome of the budget crisis to Spanish and Portuguese accession. From then on it became clear that, as far as Bonn was concerned, France would not obtain the increase in Community funds needed to overhaul the CAP, from which it benefited more than any other member state, until after the Iberian enlargement had taken place.³

However, Germany's support did not immediately overcome French resistance, and King Juan Carlos and González visited Paris in November and December 1983, respectively, in a desperate attempt to make Mitterrand reconsider. According to González's Foreign Minister, Fernando Morán, when finally forced to choose between taking responsibility for Spain's exclusion and playing a leading role in its accession, which would also shift the EC's centre of gravity south-

³Understandably, Kohl's stance improved Germany's already very favourable standing in the eyes of most Spaniards. In the 1980s, no other European country was more widely admired, while France, and of course Britain, were significantly less popular. (Moral, 1989, p.28).

wards, the French president finally conceded that the latter option was undoubtedly preferable (Morán, 1990). However, the point of no return was not reached until the Fontainebleau European Council of June 1984, where agreement was finally reached on the British rebate and the reform of the CAP, enabling Mitterrand to announce the accession of Spain and Portugal on 1 January 1986. Along the way, Madrid also agreed to lift the blockade of Gibraltar, imposed by the Franco regime in 1969, in response to British demands (Tsoukalis, 1981).

In late 1984 the Spanish government succeeded in getting Brussels to accept a six-year transitory period for industrial products, rather than the three years initially proposed by the Commission, but in early 1985 there were still disputes over some crucial areas, including agriculture, fisheries, social affairs, the Canary Islands and relations with Portugal. Under Italy's presidency of the EC, in March 1985 a seven-year transitory period was also agreed for agricultural products in general, with extensions of up to ten years for the most competitive Spanish products. Shortly afterwards, Madrid agreed to a very stiff fifteen-year transition period for full access to EC fishing waters, paving the way for the signing of the Treaty and the Act of Accession to the European Economic Community on 12 June 1985.

Although both trade unions and business associations expressed reservations, Spaniards generally regarded the outcome of this eight-year long negotiation as satisfactory.⁴ This was partly because EC membership brought with it a swift economic recovery, and by the end of González's first term in mid-1986 Spain was poised for rapid growth. Many experts nevertheless believed that Brussels had imposed "a punishing treaty of accession", but Madrid never requested a formal renegotiation (Harrison, 1992). Instead, González followed the advice of Margaret Thatcher, who had told him in 1983 that it was wiser to join the club as soon as possible and then fight to improve accession conditions from within rather than antagonise other members states by obstinately seeking an ideal membership deal from the outset.⁵ This strategy later enabled Spain to considerably reduce the transitional periods for agriculture and fisheries, the free movement of workers, and the elimination of the external tariff (Elorza).

The outcome of negotiations was also broadly satisfactory at an institutional level. Spain was offered either ten Council votes and one commissioner, or eight votes and two commissioners; the fact that it chose the latter surely reflects the importance traditionally attributed to the Commission by Spanish officials. In

⁴According to a November 1986 poll, 52 per cent believed EC membership was a good thing, 21 per cent thought it was neither good nor bad, and only 9 per cent had negative feelings about accession. (Moral, 1989, p. 46).

⁵ González has admitted that Margaret Thatcher taught him "a lesson [he would] never forget", when she told him: "I would like you to know that there are two negotiations. You are in the midst of one now, but once you are sitting at the Council table, you will have to start another, and you will have to renegotiate everything that is causing you trouble now. This is my advice to you, because it is what I have been doing for the past five years" (Prego, 2000).

addition, it obtained sixty out of 518 members of the European Parliament, and one of the thirteen judges in the Court of Justice. Considering that in 1985 Spain's population represented 12 per cent of that of the EC-12, and that its share of the cake in GDP terms was a mere 6.5 per cent, the fact that, on average, its institutional weighting was around 11 per cent constituted a significant diplomatic achievement.⁶

Although some of the leading players in these events have been curiously reluctant to admit it, there is no doubt that membership of the EC was closely linked to Spain's continued presence in NATO. González had gone to the polls in 1982 with the promise that he would call a referendum to withdraw Spain from the Alliance, on the grounds that Calvo Sotelo's application for membership had been rushed through in the face of widespread popular opposition to NATO, which many Spaniards regarded as a mere instrument of US foreign and security policy. Once in office, however, it soon dawned on him that withdrawal would damage his country's standing in Europe and beyond, but he was reluctant to go back on his electoral promise. The only solution was to call a referendum after having convinced public opinion of the benefits of continued membership. EC officials and diplomats representing the nine member states which also belonged to NATO were of course careful not to publicly demand that Spain remain in the Alliance as a prerequisite for accession, in the knowledge that this would have led to accusations of blackmail. The linkage between continued NATO membership and future accession to the EC was indeed extremely subtle; as the president of the Commission, Gaston Thorn, put it, they were "intertwined". In their contacts with these nine member states, Spanish negotiators hinted that accession to the EC would help win a referendum on continued membership of NATO; for their part, some of their interlocutors promised to be more accommodating in the accession negotiations if they were offered guarantees as to Spain's future contribution to the Alliance.⁷ Ultimately, the best evidence of a link between both issues is the fact that González did not risk calling the NATO referendum until October 1984, once talks with the EC had been unblocked, and did not hold it until March 1986, when Spain was already a member.⁸ At all events, it is more than a little ironic that the lack of popular support for continued membership of

⁶On the whole, Spaniards were satisfied with the outcome of negotiations. According to a November 1986 poll, 52 per cent believed EC membership was a good thing, 21 per cent thought it was neither good nor bad, and only 9 per cent had negative feelings about accession. (Moral, 1989, p. 46).

⁷ According to the Spanish Ambassador in Rome, "the fact that we already belonged to the Atlantic security system and the president's promise that we would stay there helped secure membership of the European Community for Spain, as I frequently observed during my diplomatic endeavours". (Esteban, 1994).

⁸ In spite of having delivered on EC membership, the government won a very narrow victory, with only 52 per cent voting in favour of remaining in NATO, and 40 per cent against.

NATO should have been one of the Spanish government's strongest cards in its EC accession negotiations.

5. Conclusion

To a large extent, Spain's accession to the European Community may be seen as the logical culmination of the slow process of socio-economic and political convergence which had begun some years previously. At a socio-economic level, the turning point was probably the Stabilization Plan of 1959, while in the political arena it was Franco's death in 1975 that marked the point of no return. However, this should not lead us to underestimate the difficulties encountered on the long road to Europe. In particular, it is often forgotten that, after advancing rapidly up to 1974, Spain's economic convergence with the EC deteriorated during accession negotiations on account of the uncertainty associated with the transition to democracy, a wages shock, and two oil crises; as a result, while in 1977 per capita GDP was 78.7 per cent of the EC-12 average, by 1985 it had declined to 71.8 per cent. No other candidate for membership of the EC has ever experienced a setback of this magnitude.

Membership of the EC heralded the beginning of a radical transformation of the Spanish economy (Martín, 1998; Montes, 1993; Viñals, 1996). When Spain joined the European market it was forced to remove tariffs and contingent protection completely over seven years (with very few exceptions), which was a considerable effort for an economy that was still quite closed, and whose effective protection rate vis-à-vis the exterior was still 25 per cent in 1985 (three times higher than the average of its EC partners). To illustrate the magnitude of the change, one only has to recall that, while in 1975 total Spanish imports and exports accounted for 27 per cent of GDP, in 1985 the figure was 36 per cent, and after a decade of membership in the EC, it had risen to 61 per cent by 1995, a level comparable to that of the more advanced European economies. This in turn reflected the fact that EC membership brought with it a sharp increase in the proportion of trade conducted with other member states: between 1986 and 1997 exports of goods to EC markets increased from 63 to 69 per cent, while imports rose from 54 to 67 per cent of the total. In the process, Germany replaced the US as Spain's leading supplier of industrial products, while predominantly Latin American and US agricultural imports were gradually replaced by French produce. In short, Germany and France were not only the key political players in Spain's accession negotiations, but also its major economic beneficiaries. Both factors partly explain Spain's subsequent tendency to align with the Franco-German axis on most matters relating to the EC's development (Powell, 2003).

For the historical reasons discussed above, the goal of EC membership was always widely shared by the Spanish public. At the time it was sometimes argued that this unanimity had both positive and negative consequences. Without it, it is unlikely that González would have been able to justify the ambitious in-

dustrial restructuring programme implemented during his first term (1982-86) on the grounds that it was a prerequisite for EC membership. At the time, hardly anyone doubted that the latter would bring with it greater economic stability and prosperity, a promise fully borne out by events. However, it was also sometimes argued that the political significance attached to membership by virtually all sectors of Spanish society weakened the government's bargaining position, leaving it little room for manoeuvre during negotiations. Whether or not this was actually the case, on balance strong and continued support for accession in the face of considerable adversity must surely be included amongst the factors that ultimately account for Spain's subsequent ability to make such a remarkable success of EC membership.

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Spain in the Process of European Integration: The Historical Evolution of the Discourse and Implementation of Spain's Mediating Role between the European Union and Latin America

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Abstract

As Spain held its fourth Presidency of the Council of the European Union and just a few months from the 25th anniversary of the country's accession, the *Centre Virtuel de la Connaissance sur l'Europe* (CVCE)¹, a research center under the aegis of the Luxembourg Ministry of Research, launched its research and innovation project on 'Spain and the European integration process' (www.ena.lu) at the Spanish Diplomatic School in May 2010. The originality of the project lies both in the research process – based on the compilation and classification of documents on this theme coming from archives from all over Europe, on the development of online collaborative research platforms and on the production and dissemination of results by means of information and communication technologies. Its research results and materials are compiled in a corpus of documents which includes a range of sources as well as a series of historical accounts that represent an oral memory of Spain's participation in the process of European cooperation and integration. Certain other academic, educational and communication activities will also serve to add value to the research results. Last but not least, this ambitious project is being progressively enriched with scientific contributions coming from prestigious research centers, foundations and higher education institutions specialized in the field of European Integration Studies (the

¹The CVCE, from now onwards *Centre Virtuel de la Connaissance sur l'Europe* (Virtual Resource Centre for Knowledge about Europe — CVCE) uses the very latest in information and communication technologies to provide a unique point of reference for creating and disseminating valuable content on the history of European integration. The work of the CVCE is based on a comprehensive approach that covers a wide range of disciplines with the aim of promoting and making the most of Europe's heritage. The CVCE, particularly through its “European NAVigator” (ENA) website (www.ena.lu), is developing a service that makes available and promotes Europe's heritage for the benefit of all citizens. Please, refer to www.cvce.lu and www.ena.lu for further information.

Complutense University of Madrid, the European Academy of Yuste Foundation, etc.).

A specific section within this project, which remains under construction, focuses on the theme of the historical evolution of the discourse and implementation of Spain's mediating role between the European Union and Latin America. The project as a whole, and also this part is of it is notably based on the analysis of the accounts provided by Spanish actors who hold or have held key positions and decision-making power, regarding such process of mediation. It includes Manuel Marín González, José María Gil-Robles y Gil-Delgado, Marcelino Oreja Aguirre, Jordi Pujol i Soley, Carlos María Bru Purón, etc. In addition, this oral history contribution is complemented by an in-depth examination of newly-released primary sources coming from mutually complementary yet disperse archives such as the Archives of the Council of the European Union and of the European Commission in Brussels, the Archives of the Council of Europe in Strasbourg, the Historical Archives of the European Union in Florence, the European Parliament Information Office in Madrid, the European Commission Representation in Madrid, the General Archive of the Ministry of Foreign Affairs and Cooperation (AGMAEC) in Madrid, the Documentation Centre and Library of the State Secretariat for European Union in Madrid, the Archives of the Congress of Deputies in Madrid and the General Archive of the Administration (AGA) in Alcalá de Henares, with a view to elucidate the actual correspondence between rhetoric and applied compromise in Spain's mediating role between these two fundamental world regions.

The CVCE Research Project 'Spain and the European Integration Process'

The project, 'Spain and the European integration process', looks at the historical relationship between Spain and Europe in a broad sense, taking into account the relations of Spain's various institutional, socio-economic and cultural players with the European Communities — today the European Union (EU)¹ — and their interactions with other European organizations, presented chronologically from the end of the Second World War to the present day. The project is essentially the study of a reciprocal exchange; it focuses, firstly, on Spain's contribution to the European integration process in terms of ideas, principles and initiatives, and, secondly, on the impact of the European integration process on Spain, with regard to the development of its political culture, the reactions to various proposals and decisions, and the social repercussions of this integration process for European citizens.

One of the main objectives of the project is the publication of a digital research corpus on Spain and the European integration process in our "European

¹EU from now onwards

Navigator” digital library (ENA), including freely accessible relevant, varied and often previously unpublished documentation, in several languages and from a wide range of archives, as well as sources created by our research team. The “European Navigator” (ENA) provides high quality research and educational material on the history of European integration on a single website: www.ena.lu ENA is a multilingual, multisource and multimedia digital library that contains more than 16,000 documents on the historical and institutional development of a united Europe from 1945 to the present day. In this digital library, students, teachers, researchers, and anyone interested in the European integration process can find original material such as photos, audio and video clips, press articles and cartoons, together with explanatory synopses, tables and interactive maps and diagrams. The material included in ENA's vast and varied documentary resources is selected, created, processed and validated by a multidisciplinary team of specialists on European integration. ENA comprises a section on ‘Historical Events’ from 1945 to the present day, a section on ‘European Organizations’, a number of exclusive interviews and a section entitled ‘Research and Teaching’ which provides a wide range of tips on how to use ENA as a teaching tool. ENA's content is under constant development. New material is regularly added to the documentary resources to cover all the different aspects of the European integration process and to ensure that as many areas as possible — ideological, geographical and linguistic — are represented. Some units are currently being developed and so contain only a limited number of documents which will be expanded as research into those particular subject areas progresses. The production of “European Navigator” (ENA) is carried out in keeping with intellectual property rights and, in particular, the copyright of works that form part of the knowledge base. The Legal Affairs Department of the CVCE is responsible, among other things, for copyright management. It takes the necessary steps to define the protected nature of the works and to seek out the legal claimant/s of the various documents selected by the researchers, in order to obtain the authorization needed for the reproduction and dissemination thereof. Once the rights have been obtained — including, in some occasions the signature of special agreements with the consulted archives — and the acknowledgements added, the document is eligible for reproduction and dissemination.

Since it was established, the CVCE has developed an oral history project based on a collection of historical accounts relating to Europe’s heritage which reveal the wealth of historical, political, social and cultural interactions in the European integration process. In connection with this initiative, several Spanish figures generously agreed to share their memories and thoughts on the history of the relationship between Spain and Europe, and in so doing, greatly enhanced the academic value of this project. This oral history collection is complemented with a wide range of sources to be found in our documentary collection, which combines official sources with documents from Spanish and international archives, including: institutional texts, academic contributions, graphs and statistics, press

articles, photographs, cartoons, videos, interactive maps and diagrams, and a selected bibliography. Documentary research was conducted in several European countries for this project, often making it possible to re-establish links and correlations between documents kept in geographically distant locations. The research focused on sources that represent the various aspects of historical analysis on as many levels as possible, offering opposing and complementary viewpoints and encompassing all the document types enumerated above.

It is, in conclusion, a project under constant development whose results will be progressively disseminated. In addition, it is due to include a series of academic activities and communication events for a wide range of audiences. The project's launch, which coincided with the fourth Spanish Presidency of the Council of the EU, laid the foundations for fruitful cooperation with academic, cultural and research institutions that are keen to contribute to the creation and diffusion of sources on Spain's role in the European integration process and the interactive and dynamic nature of Europe's common history. Having explained the subject matter, I will now present the methodology before continuing with the examination of the sources informing us about the historical evolution of the discourse and implementation concerning Spain's mediating role between the EU and Latin America, which constitutes one of the main sub-sections and research interests of this project.

Methodology and Approach

The chosen methodology for the examination of this specific topic is Discourse Analysis, but in a way that is limited to that which Alfred Schutz denominated the "level of relevance" (Schutz in Weiss and Wodak 2003, 5-6). Taking discourse as language in action, this methodology tries to unveil the underlying intentions of those who influence thought, and who, by means of prescriptive communication, give legitimation to concepts and in that way determine what is publicly regarded as true. The main use I will make of this methodology will consist of the concept of relevance. I will precisely look for relevant manifestations of voluntary statements regarding a self-assumed Spanish role as mediator between the EU and Latin America in the institutional documents compiled for this project and in the interviews conducted to shed light on this particular issue. In order to do this, I will make use of the following principles of Discourse Analysis, which maintain that discourse is not pure content, but "a window to someone's mental or social world" (Cameron 2001, 43). Hence, this approach could be useful to discern the priorities and objectives of the political actors involved in the consolidation of the image of Spain in such mediating role. In fact, it is not any one instance but "the repetition of the same pattern in a systematic way, in many instances and occasions that naturalizes a particular view of reality" (Wilkinson 1995, 157) and therefore, it will be necessary to consult different kinds of primary sources (as described in the project presentation) to verify to

what extent Spain's "mediator" discourse is presented with a relevant frequency. From this point of view, the examination of relevant self-explanatory examples of text and conversation to interpret a regular pattern is a direct commitment of Critical Discourse Analysis (CDA)² and that is why I have decided to use this branch of Discourse Analysis for this specific case study. CDA's basic argument, elaborated by Ian Hutchby and Robin Wooffitt, narrows down to the statement that "it is not the case that designers of a guideline are simply imparting information to a passive recipient when they communicate, but they are actively constructing their accounts for a certain kind of recipient in a particular situation" (Hutchby and Wooffitt 1998, 19). In particular, the chosen interpretational procedure is based on the formula of analyzing contents and recurring themes in the documentation with a view to explaining patterns and reflecting upon the meaning of the precise choices in the way of delivering political messages regarding this subject. Furthermore, we should take into account that we are dealing with a special kind of discourse, that is, institutional discourse, which is always a goal oriented one which paves the way for the generation of an expected acceptance. In this way, it consolidates the monopoly of legitimate discourse in the sphere of public communication in representative democracies³.

As a point of departure for the examination of this topic, it would be enlightening to allude to Altamira's provoking premise, which warns about the vague nature of Spain's historical relation with Latin America, stating that "imagining fraternities without substance is as rhetoric as spending time calling for practical realities, without implementing any of them" (Altamira 1917, 73). Such idea also applies to this case study and constitutes the main question that this project sub-section attempts to respond: Is the self-assumed and largely diffused Spanish mediating role between the EU and Latin America another manifestation of this sentiment of "fraternities without substance" or has there been a really fruitful implementation of this apparently special relationship?

The Meaning of Latin America for Spain's European Expectations during Franco's Regime

The main guidelines of the regime's authorities regarding Spain's relation with Latin America correspond to the idea that "even when we accentuate Spanish political interests in the sub-continent, we do not even think for a moment about not focusing on European issues; if we discovered America it was precisely because we "are" in Europe and, in our opinion, the more we consolidate our pres-

²CDA from now onwards

³ For a deeper analysis of the implications of institutional discourse, please, refer to Delcourt, B. (2003) *Droit et Souveranités. Analyse critique du discours européen sur la Yougoslavie*. Brussels: P.I.E. — Peter Lang.

ence in Europe, the stronger will be our position in the New World”⁴. Hence, there was already a perception of interdependence between two realities, a view which would only be increased as relations evolve. Nonetheless, this notion of interdependence between a European and Latin American axis in Spanish foreign relations was combined with a sense of reticence and jealousy regarding other European countries’ growing contacts with Latin American regional organizations. That was the case with different European initiatives – mainly coming from Italy and France – to establish closer ties with Latin American countries through the Organization of American States. The regime’s authorities commented, in a similar vein, that “our fear is based on the fact that, as we can observe in the current context, some European nations, other than Spain, could get ahead of Spain in terms of presence and action in the Organization of American States”⁵.

From another standpoint, Carlos María Bru Purón – participant in the Fourth Congress of the European Movement, held in Munich in 1962; former Socialist member of the European Parliament and current President of the Spanish Federal Council of the European Movement (CFEME) – conceptualized the meaning that Latin America held for Spanish pro-Europeans during Franco’s regime by referring to the so-called “Latin American alternative solution”⁶, proposed during the so-called period of autarchy. He mentions the fact that, when discussing Spain’s possible international partnerships within the Spanish Association of European Cooperation (AECE) it was precisely the Latin American scholars and professors residing in Spain, who exclaimed that “economically, Spain’s main international partnership must be with Europe, since this is the main space in which commercial activities take place and it is also Spain’s main direct source of import-export exchanges”⁷. From that moment on – Carlos Bru explains – the regime allowed the creation of some, merely cultural, associations to study the so-called “European phenomenon”, among which the Spanish Association of European Cooperation, in which different Latin American scholars benefiting from some limited grant programs took active part in its discussions. In the end, this association ended up turning into a center for a more clandestine political reflection upon Spain’s European vocation. In this sense, we could con-

⁴ Transcripción de un informe del *Istituto per gli Studi di Politica Internazionale* sobre las relaciones de España e Italia con América (28 de noviembre de 1958). Fuente: España. Ministerio de Cultura. Archivo General de la Administración, caja 54/16621. Copyright: Ministerio de Cultura URL:

http://www.ena.lu/transcripcion_informe_istituto_studi_politica_internazionale_sobre_relaciones_espana_italia_america_noviembre_1958-4-37198

⁵ Ibid.

⁶ Personal interview with Carlos María Bru Purón, participant in the Fourth Congress of the European Movement, held in Munich in 1962; former member of the European Parliament and current President of the Spanish Federal Council of the European Movement (CFEME), conducted on the 13th of January 2010. For the complete recording of the audiovisual interview, please, refer to the Interviews Section in the CVCE’s digital library “European Navigator” (ENA) at www.ena.lu

⁷ Ibid.

sider that the role of Latin American scholars in Spain has a stronger influence in the trend towards the strengthening of the links between Spain and Europe than in demanding the uniting Europe's attention on the sub-continent through the Spanish diplomatic filter. This trend corresponds, evidently, to the obvious distance of the incipient European institutions with the Spanish authoritarian regime and will be relatively reverted from the transition to democracy onwards.

Alternatively, José María Gil-Robles y Gil-Delgado – former President of the European Parliament and current President of the Jean Monnet Foundation for Europe in Lausanne – recalls the Christian Democracy World Congress, which took place in Lima in 1964 and in which a European figure of the caliber of Leo Tindemans had an active participation. Gil-Robles defines this moment as a period of great hope for Latin America, a moment in which “it seemed possible that Latin America could follow Europe's path by forming communities like the *Comunidad Andina*, which could emulate Europe's progressive unity, something that was an old vocation of the Christian Democratic Organization in Latin America”⁸. He also states that, during this period, Tindemans was also a symbolic reference in Latin America, whose ideas constituted a model to follow for an eventual integration of the sub-continent⁹. Hence, Latin America was also regarded, at this time as the experimental space for an extension of the integration dynamics taking part in the old continent. However, during that period it seemed that the regional integration feasibility study was being first tested in the metropolis and then encouraged in the sub-continent, which shows a reversal of former colonial patterns and aims at transforming regional integration into a source of independence and stability far from an overwhelming American control.

Spain's Self-Assumed Mediating Role between the European Communities and Latin America since the Transition to Democracy

It is commonly assumed that Spain only became a kind of advocate for Latin America within the European Communities since accession; nonetheless, we should take into account that even before Spain's accession, there was an already existing framework for economic, political and institutional relations between the European Communities and Latin America. However, this framework did not translate into a fruitful implementation of political and economic projects in the sub-continent or even in a European prioritization of the external relations with this world region. In this sense, we could argue that Spain's accession did have an impact, at least at the apparent level of the attention towards this heterogene-

⁸ Personal interview conducted with José María Gil-Robles y Gil-Delgado – former President of the European Parliament and current President of the Jean Monnet Foundation for Europe in Lausanne – on the 9th of March 2010. For the complete recording of the audiovisual interview, please, refer to the Interviews Section in the CVCE's digital library “European Navigator” (ENA) at www.ena.lu

⁹ Ibid.

ous group of countries on behalf of the Communities. In any case, we continue to observe a lack of real content in this mediated relationship beyond theoretically positive declarations of intentions. If it is true that since accession negotiations, Spain tried to raise Latin-America's status at the level of the former colonies of the founding member states, it was unfortunately not possible to formalize this intention other than in the annex declarations to the Accession Treaty (Muñiz de Urquiza 1989, 41).

However, it is clear that the effort made by Spain, manifested especially when the accession negotiations took off during the transition to democracy, should be tempered by an evident self-interest in taking advantage of potential and even more privileged economic opportunities through an apparent incarnation of a European common interest. Hence, in this case, the sought-after mediation is just an instrument for gaining closer access to a more fruitful exploitation of Latin American resources. In this sense, the Spanish Declaration before the CEE about Latin America, stated that "the Spanish Delegation considers that its accession to the European Communities should translate into an increase of the economic and commercial relations, as well as in the cooperation, at all levels, of the European Communities and Latin America. The Spanish Delegation understands that this purpose should be formalized in the Accession Treaty and in a common Declaration of Intentions which expresses the will of the enlarged Community in the extension and strengthening of relations with Latin America"¹⁰. This document also refers to the "singularity of Spain's relations with the peoples of Latin America, relations that Spain wishes to keep and consolidate in any possible extent. (...) The close ties between Spain and Latin America derive from profound links which, based on historical, cultural and linguistic reasons, relate the peoples of Spain and those of Latin America. These links have progressively materialized in a more intense economic cooperation and investment relations. The Spanish government considers especially important the development of close contacts as a form of positive contribution to the relation between Latin America and the European Communities to the benefit of both parties. Already since the post-war period, the economic and commercial exchanges between Latin America and Spain transformed these countries into important providers of raw materials and agro-alimentary products for the Spanish market. After the opening of the Spanish market in the 1960s and 1970s, these trends were consolidated. This produced a remarkable diversification in the influx of foreign direct investment in Latin America, implemented by Spanish institutions and companies in these countries, which contributed to the development of the Latin American economies. On the other hand, the degree of development of Spanish indus-

¹⁰*Declaración española ante la CEE sobre Iberoamérica* (23 de marzo de 1981). España. Ministerio de Cultura. Archivo General de la Administración, caja 66/05143. Copyright: Ministerio de Cultura URL: http://www.ena.lu/declaracion_espanola_cee_iberamerica_23_de_marzo_de_1981-4-37250

try and technology, well-adapted to the needs of many Latin American economies, has made their markets increasingly receptive to Spanish products. As a result, we conclude the existence of traditional synergies which have established a growing interdependence between the economies of both sides, thus strengthening, at the same time their growth potentiality”¹¹.

This closer approach represented a win-win situation for both parties under the guise of something which can be seen again in the second part of the document, where the Spanish Delegation maintains that “on the other hand, the financial institutions of the European Communities should undertake an important financial and collaborative effort to the Spanish projects regarding cooperation for development in Latin America. At the same time, this would open a wide range of possibilities for the entry in these projects of the financial institutions of different member states which support direct investment in third countries. In this way, Community’s cooperation for development would enlarge its scope to projects of interest for Latin American economies”¹². In fact, the argument of the pre-eminence of Spanish cooperation for the promotion of Latin America has always been central to demonstrating the solidarity interest of Spain in Latin America, enhanced by the new possibilities related to its accession to the European Communities. But, as we could observe in the above declarations, this improved access to funds and networks that Spain is enjoying is primarily oriented to the financial benefit that the new European dimension can offer to already existing Spanish development projects in the region. From a different perspective, this attitude was also used to conceal certain inner difficulties in Spain’s foreign policy towards Latin America by using the European Communities visiting card as cover while not without renouncing its policy lines.

In any case, it was not until 1987, with the so-called *Cheysson Memorandum* – based on the Conclusions of the Hague European Council of June 1987 – that, due to the accession of Spain and Portugal, the European Communities formalized a compromise for the deepening and, somehow, a relative prioritization of their relations with Latin America (Muñiz de Urquiza 1989, 42). During this period, the European Communities aimed particularly at reinforcing this relation through the encouragement of the formation of regional organizations in the sub-continent which could serve as equivalent interlocutors for the Communities. This support to regional integration organizations is, nevertheless, paradoxical, if we take into account that such organizations have been demanded to have a single voice in the international arena while, in the EU, such single voice seems an insurmountable endeavor, despite the good intentions of the current Lisbon Treaty and the creation of the post of High Representative. In fact, the heterogeneous character of the different Latin American countries makes especially difficult the consolidation of such regional organizations (despite the efforts of the

¹¹ Ibid.

¹² Ibid.

Pacto Andino, Mercosur, etc.), an effort that is not demanded to the ACP countries, which were, unlike Latin America, always a priority in the external relations of the European Communities due to their close ties with the European Communities founding member states as former colonies. It is surprising, in this sense, that the Communities justify their difficulties in the international dialogue with Latin America on the basis of the absence or laxity of such regional organizations while, at the same time it is not offering the knowledge or the means to structure this dialogue and to help build or consolidate this type of regional organization. It is also remarkable that, even after Spain's accession, the European Communities have continued with the scheme of offering nothing more than "no preferential relations" to Latin America, as they do with non-associated third countries. From this viewpoint, we could affirm that Spain's self-assumed mediating role in this context, even if clearly biased towards strategic and primarily national interests, had a positive impact in attracting a bit more attention, political compromise and financial opportunities to the region. In this sense, it results in a worthy operation also for Latin America, even if the benefits are to be evaluated in the long run and are featured by a sense of fragmentation in their frequency and extension.

As soon as Spain became a member of the European Communities, two Spanish Commissioners, Abel Matutes and Manuel Marín took up office. Manuel Marín González – former Vice-President of the European Commission and current President of the Iberdrola Foundation – has also been, during the 1990s, Commissioner for Cooperation and Development and thus explained that, "traditionally Asia and Latin America were marginal in the work structure of the EU cooperation policies. What the Spanish first did, in this sense, was to ask for a separation of both realities and budget lines, that is, we tried to give a differentiated personality to Latin America"¹³. In fact, from 1995 onwards, a series of initiatives was launched, such as the Summit for the Strategic Association between the European Union and Latin America illustrating, in Marín's words, the doctrine of "open regionalism, following that situation we had during three or four years in which we thought that the world had really changed: information society, a situation of economic expansion...and then Latin America started to position itself as an emergent continent. In this context, we launched several initiatives, some successful ones, like the Treaty of Free Trade with Mexico and the Agreement with Chile and then the Agreement with Mercosur, but this could not work due to the fundamental differences between Argentina and Brazil. And we also gave a lot of impulse to cooperation politics but we could not do more..."¹⁴. Regarding the issue of regional integration in Latin America, Marín indicates that

¹³ Personal interview with Manuel Marín González, former Vice-President of the European Commission and current President of the Iberdrola Foundation, conducted on the 13th of April 2010. For the complete recording of the audiovisual interview, please, refer to the Interviews Section in the CVCE's digital library "European NAVigator" (ENA) at www.ena.lu

¹⁴ Ibid.

it is necessary to take into account that there are several “Latin Americas”, which should be integrated by regional spaces, implementing the aforementioned doctrine of “open regionalism”, according to which, regional spaces should be delimited across the world to facilitate cooperation by emulating the image of the European Union. In that way, the scheme to be followed was, according to the EU “an open and participative regionalism, favorable to free trade, free circulation of persons and goods, of the information society, etc. that could fundament the generation of multilateral agreements which could contribute to more stability on a global level”¹⁵. But this scheme could not work because “Mercosur stopped working at the institutional level, because the Asunción Treaty was not applied and because they created the Law Court (...) but its decisions were delegated to the OMC (particularly a panel of the OMC in Geneva), that is, a negotiation external to this regional integration process which was given the role to decide on setting controversies within Mercosur. And that was equivalent to recognizing that your customs union could not work, because, by definition, your customs union does not need an external mediation but one coming from your own institution. From that moment onwards, MERCOSUR started to be not really managed by its Commercial Commission but by the interests of four national administrations”¹⁶. In addition, concerning the Organization of American States (OAS), and focusing now on the fruits of this self-assumed Spanish mediation, Marín explains that some of the most successful actions in that sense were the demining operations in the post-wars of El Salvador, Guatemala and Nicaragua, despite many and very delicate negotiations between the EU and the OAS.

In the case of this particular key actor in the process¹⁷, we can observe a very interesting phenomenon constituted by the blurring and assimilation of Spanish and European positions towards Latin America by historical figures with successive decision-making power in both dimensions. In these cases, the given actors tend towards the convergence of interests between Spain and the EU and thus towards the formulation of a more coordinated approach with regards to this region, a tendency which is intensified from the 1990s onwards, even if we will observe some discontinuities in this itinerary .

On the other hand, during his time as President of the European Parliament, José María Gil-Robles proposed a supranational method of integration in the sub-continent based on the integration of non-governmental organizations, as well as the establishment of a privileged partnership between the European Parliament and different national Parliaments in Latin America. When asked about these proposals, he affirmed that when they were launched “there was still a perspective for the successful development of Mercosur and the consolidation of the *Comunidad Andina* and it seemed also possible to develop a closer and more

¹⁵ Ibid.

¹⁶ Ibid.

¹⁷ Manuel Marín, in his role as Commissioner for Cooperation and Development during the 1990s

integrated relationship with Central America. The idea was to have regional integration processes in different parts of Latin America with a view to advancing towards a total integration, but we had to start by these regional integrations. Nowadays, it seems that only *the Comunidad Centroamericana* is still solid and, in this sense, it will be possible to reach a special agreement between the EU and Central America but, in general, we must be conscious of the fact that we have all gone backwards concerning these regional integration projects”¹⁸.

Regarding the particular idea of a Spanish mediating role between the EU and Latin America, Gil-Robles has affirmed that “when Spain acceded to the European Communities, it was easier to talk more directly with Latin America and organize bilateral relations in a more credible manner, that is, Spain could forget the rhetoric of the empire and of the common language and the common culture and add, besides considerable economic contributions, an example of political transition and of incorporation to a supranational community which is exemplary for Latin America and that has given us very important possibilities of expansion, economically and culturally, in Latin America. In fact, for Spain – we are going to call things by its right name – this was one of the most successful businesses implied by incorporation into the EU. The problem is that this enterprise is tied to a complex network of interactions between a diversity of actors. And this is also related to the need, for Spain, to have clear its own project, that is, Spain cannot develop with Latin America a project that is different to the ensemble of the EU, because then it would not have any weight. Spain has to situate herself within EU foreign policy guidelines where Spain has an influence in the determination of such guidelines regarding Latin America and, of course, the Spanish representatives have had a great influence in the European Parliament and the European Council of Ministers, but we have to act in a unitary way in accordance with EU guidelines”¹⁹.

Conclusion

This need for consistency between EU and Spanish policy regarding Latin America corresponds both with a pragmatic viewpoint in which a double agenda is less effective and minimizes the impact in terms of image, real political cooperation, economic benefits and the cultural identity of Spain in the region. Thus, we could argue that the EU provides a context to foster a traditional Spanish diplomatic line based on real (and rather dynamic) cultural and linguistic exchanges, as well as on the phenomenon of Latin American migration in Spain, which serves as a

¹⁸ Personal interview conducted with José María Gil-Robles y Gil-Delgado – former President of the European Parliament and current President of the Jean Monnet Foundation for Europe in Lausanne – on the 9th of March 2010. For the complete recording of the audiovisual interview, please, refer to the Interviews Section in the CVCE’s digital library “European Navigator” (ENA) at www.ena.lu

¹⁹Ibid.

recent source for impulse to these relations. In sum, Spain's mediating role is an instrument for a deeper involvement in the EU's foreign policy by claiming a special relationship; at the same time that it brings more funding, means and attention to an already established priority that is slowly modifying the EU's global role. In this sense, we could state that the EU's progressive implication in Latin America, following a rationally coherent Spanish pragmatism – also related to its public international image – is changing even the way in which the EU is perceived in the world, hopefully evolving from a development aid perspective to one based on mutual cooperation on more equal basis going beyond the vagueness of “summit diplomacy” and inner EU agenda hindrances, either from a deepening or widening perspective (Soriano 2008, 2). In this sense, we should also explore how not only Spain, but also Latin America, is being Europeanized in this process and how the EU is gaining an especially useful knowledge on regional relations, stabilization of democracies, further relations with the U.S., international communication and so on through its progressive prioritization of relations with Latin America, which actually lacked before.

In order to conclude, we could allude to our initial question concerning the possible nature of Spain's mediating role between the EU and Latin America as a “fraternity without substance”. Very much on the contrary, we find evidence which shows that Spain “gained weight within the EU by means of its capacity to approach it to Latin America” (Freres 2005, 1) and multiplied its cooperation for development resources without any special budget effort. On the other hand, also Latin America benefited from this pragmatic mediation in terms of its political rapprochement to the EU, the increase of economic and commercial projects coming from the EU, the intensification of EU's development aid, as well as more concrete actions like the opening of a Latin American credit line at the European Investment Bank, the inclusion of the Dominican Republic in the ACP group, the inclusion in the EU's social cohesion plans (*Plan Educación para Todos* as part of the EU's Fast Track Initiative) and the implementation of specific programs related to equal opportunities, strengthening of democratic governance, inclusion in environmental programs and support to indigenous populations (Freres 2005, 5). From a more general perspective, such trend has helped Latin America to become actively involved in European foreign policy priorities in an increasingly multi-polar world, which imply the projection of a particular model of development based on the hopeful principles of solidarity, equality, open competition, sustainability and participative democracy. We could, therefore, and rather paradoxically, define this mediating role as an initially pragmatic one-sided objective progressively transformed into a multilateral benefit.

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Spain and Portugal's Understanding of EU Membership: The Impact on Public Attitudes to EU Integration and Enlargement

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Abstract

Spain and Portugal have usually shown high levels of support to the EU, the integration and the enlargement process. Their citizens have a good image of the EU and trust its institutions. This contribution will examine the connection between the attitude of citizens and political elites in these two member states during the last twenty five years and their singular understanding of EU membership according to their own experience. The research outcome has been published in several books and scientific journals.

Introduction

Behind Spain's and Portugal's decision to apply for membership to the European Communities (EC) was the determination to overcome their authoritarian past once for all, consolidate their democratic system and modernize the country. This perspective was shared by an overwhelming majority of the political and economic elites and the society. As the result of membership, both countries have enjoyed the most stable democratic period in their history, achieved social and economic prosperity, and successfully returned to world politics. All these have contributed to preserve public support to the integration process and EU institutions and policies, with pro-European attitudes being dominant in both countries. However, the recent economic and financial crisis can put in jeopardy these developments.

Public support for a political community, organization or specific policy can stem both from its good performance and effectiveness to solve citizens' problems and maximize their welfare, and from its capacity to promote collective values and comply with certain principles. Easton (1965; 1975) distinguished two dimensions in citizens' support for a political system. The *specific support* reflects the way they value the performance of the political community, the regime or the public authorities, whereas the *diffuse support* shows the endorsement of

its values and principles, rather than the assessment of specific decisions or outcomes. Lindberg and Scheingold (1970) applied a similar conceptualization of public support to the study of the European integration, distinguishing between the *utilitarian* dimension, based on some perceived and relatively concrete interest, and the *affective* dimension, which shows a diffuse and perhaps emotional response to some of the vague ideals embodied in the notion of European unity (1970: 40).¹

Likewise, individuals and national governments in the EU can back or reject a decision or policy depending on its tangible consequences or following criteria of appropriateness. Following logic *of the consequences*, they would support the political action because of the expected net benefits. Following a *logic of appropriateness*, they would consider the roles and norms to be applied according to a particular identity (March and Olsen 1998: 951). Drawing from this conceptualization, in the support for EU enlargement we can also distinguish between an *instrumental* and an *identitarian* dimension. In the first case, support would derive from expectations to pursue specific goals and maximize particular interests. In the second case, support would respond to the will to promote the principles and values that justify the policy and to conform to collective expectations.

This chapter will examine the evolution of Spain's and Portugal's support to EU integration and enlargement during these twenty-five years of membership and analyze to which extent the underlying factors are interest- or identity-based. Is their support based on particular interests and perceived benefits? To which extent does it respond to their particular understanding of EU membership? Section 1 will analyze the 'European' elements of the national identity of both countries, which share much in common. Section 2 will show the evolution and main features of Spain's and Portugal's support to the EU integration and institutions. Section 3 will explain why political elites and citizens in the Iberian member states tend to be pro-enlargement. The thesis of this chapter is that both countries, due to their past and present experience, share a similar understanding of EU membership in which lies much of their support to EU integration and enlargement.

¹Although the authors do not clearly establish any evident connection with the Eastonian modes of support, in the empirical literature the concepts of utilitarian and affective have come to be considered as synonymous with the Eastonian concepts of specific and diffuse and used in an interchangeable way (Chierici 2005, 4).

Spain and Portugal's Understanding of EU Membership

In order to examine practical applications of the collective identity, DiMaggio (1997: 275) distinguishes between the *supra-individual* and the *individual* dimensions. Whereas the former is the shared representation of the community, the second refers to the particular way in which each individual in a group interprets the collective identity, that is, the collective elements of the individual identities. Member states interpret in a different way EU collective identity according to their particular historic experience and cultural background. In the case of Spain and Portugal, the individual identities of both countries share some common 'European' elements, which make that citizens and political elites approach the EU integration and enlargement in a characteristic way.

The first element in common is that both countries had a similar historic background and deemed accession to the European Communities (EC) as a political goal to overcome their past and get a better future. After a short republican experience in the early 1930's, right wing dictatorships were established in Portugal and Spain. Both countries remained neutral in the World War II and were isolated from the regional integration dynamics thereafter, although Portugal was a founding member of NATO, OECD and the European Free Trade Association (EFTA). Since 1970, Spain enjoyed a preferential tariff agreement with the ECC, and Portugal a free-trade agreement, since 1973. Only one year later, a bloodless left-wing military coup in Lisbon, known as the Carnation Revolution, ousted the authoritarian regime and a military-civilian provisional administration took the charge of leading the way to democracy. In 1975, General Franco died in Madrid and his successor, King Juan Carlos II, also opted to embark Spain on the path of reform. Immediately after the celebration of the first legislative elections in 1976 in Portugal and in 1977 in Spain, the new elected governments submitted the membership applications to the European Communities. In both countries, 'Europe' was widely considered as the alternative to the totalitarian, impoverished and isolated political systems that both countries had for half a century. The democratization and modernization of the country, as well as the restitution of their role in world politics, was contingent on joining the EC. Therefore, it was a political decision shared by most citizens and main political parties, who had not fully grasped the full economic consequences of the integration (Royo 2005: 4). Undoubtedly, the overwhelming will to join the EC and the subsequent need to meet the democratic criteria would contribute to fade reactionary claims in the years after.

On 19 May 1978, the European Commission delivered a favorable opinion to start negotiations with Portugal, and on 29 November with Spain, which the Council endorsed some months later. For the EC, the decision to enlarge was also primarily political. Given its commitment to stability and democracy in the continent, the EC had the obligation to give a positive answer to Spain and Portugal to acknowledge major changes that had taken place in these countries, avert

a setback in the reform process, and contribute to prosperity and stability in the Mediterranean border (Bassols 1995; Álvarez-Miranda 1996). Indeed, there were not few objections and fears. In comparison to previous rounds, Southern enlargement posed some challenges due to the overrepresentation of the agriculture sector in the applicant countries, their low per capita income –which would increase regional disparities within the Community–, and their still weak public administrations to adopt and apply an *acquis* which had been increasingly expanded to policy areas such as agriculture, social and environmental policy (Nugent 2004). Additionally, several member states felt their economic interests were directly threatened by certain products from these countries, being of special concern the weight of the Spanish economy.

Indeed, accession negotiations, starting on 17 October 1978 and 5 February 1979 respectively, turned long and difficult (Bassols 1995; Costa Pinto and Teixeira 2002). Imports of Spanish and Portuguese agricultural products such as wine, fruit and vegetables and olive oil posed a serious competitive threat to French and Italian businesses, at the same time as the Community feared a major increase in spending under the common agricultural policy (CAP). There were also concerns about the textile sector in Portugal, the steel and coal industries and the big size of the fishing fleet in Spain, and the likely outflow of migrants to old member states after accession. The adoption of a Community-wide common organization of the markets in fruit and vegetables and olive oil, an agreement to control the wine production, long transitional periods in the sensitive areas, import quotas and other measures, all paved the way for the signature of the accession treaties in Lisbon and Madrid on 12 June 1985. The Spanish political elites had the final impression after negotiations that accession was not the award to good performance in democratic terms, but a confusing story about political, economic and even electoral interests (Bassols 1995: 3). Portugal and Spain joined the European Communities on 1 January 1986, and the Single European Act (17 February 1986) set up the structural policy to help them to adapt their structures to cope with competition in the single market and to strengthen economic and social cohesion in the enlarged Community.

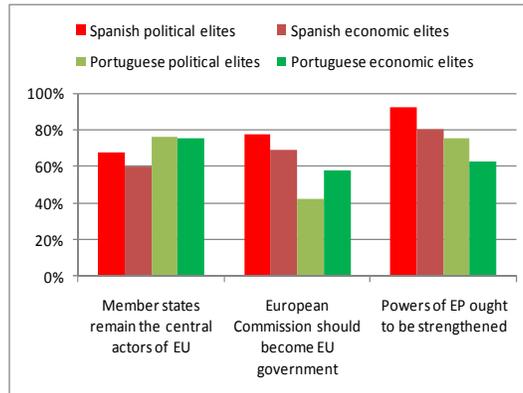
The second element in common is that, after becoming full members, both countries would continue to deem Europe as the best channel to promote their national interests, so that further integration and the reinforcement of their role within the Community became central for their governments. They were especially concerned about improving their reputation as a ‘good member’ of the ‘selected club’ they had just joined, and bringing their countries to the core of the organization. They were not only ‘peripheral on the map’, but also in economic and political terms. They wanted to demonstrate that they could fulfill their duties as EU members up to expectations and adopted a very pro-European stance in all the matters (Piedrafita 2010; Schukink and Niemann 2010). Belonging to the core of the organization and strongly supporting EU integration would also give these otherwise peripheral countries more credibility and potential in EU

negotiations. Moreover, the national interest would be better promoted from the EU (e.g. boosting relations with the former colonies and Mediterranean rim countries) or through further integration (e.g. achieving social and economic convergence or fighting terrorism).² The solution to the national problems continued to lie in 'more-Europe'. The close connection of the EU with the political, social and economic developments in both countries made the pro-European discourse dominant in domestic politics, with whatsoever dissident voices being severely criticized and reprimanded.

Both countries were very supportive of the idea of a political and economic union in the early 1990's, joined the Schengen area in 1995, and pushed for the reinforcement of the EU foreign policy and the co-decision procedure in the 1996/1997 reform. For their governments then, it became top priority to meet the convergence criteria to access the third stage of the Economic and Monetary Union (EMU) in 1999. Actually, Spain and Portugal managed to be among the eleven founding member states. Likewise, their governments were very supportive of the steps for further integration envisaged in the European Constitution and mostly endorsed by the Lisbon Treaty. According to a 2007 IntUne study, political and economic elites in Portugal and Spain showed among the highest degree of attachment to the European Union.³ Portugal ranked first in the percentage of political elites feeling attached or very attached to Europe (96%), whereas Spain ranked fifth with also a very high rate (91.5%). Economic elites in both countries showed the highest level of attachment to Europe after Poland, 95% and 92% respectively (Jerez-Mir and Vázquez 2009: 7). Elites' support to increase EU supranational power in Spain was also higher than in any other member state. 77.4% of the political elites and 69.1% of the economic elites agreed that the European Commission should become the government of the EU, and 92.5% and 80% respectively believed that the powers of the European Parliament should be strengthened. In Portugal, these rates were high but slightly lower, whereas more respondents thought that member states should remain the main actors in EU policy-making (Jerez-Mir and Vázquez 2009: 25).

² See for instance Elorza (1997) and Royo and Manuel (2003).

³The interviews were conducted in 2007 to members of the low chambers and presidents of corporations and alike.

Chart 1.- Political and economic elites' preferences for power-sharing

Source: data from Jerez-Mir and Vázquez (2009)

The third element in common is that, with membership, Europe would become synonymous with solidarity and progress. Unfavorable accession terms were eventually removed and competitive disadvantages in the Single Market were balanced with increasing solidarity from the EU, which would contribute notably to the transformation of the socio-economic structures of both countries. Portugal and Spain were, together with Greece and Ireland, the main beneficiaries of the structural and cohesion funds before the 2004 enlargement, and net recipients from EU budget.⁴ This financial solidarity enabled both countries to improve their infrastructure and competitiveness, to achieve high rates of economic growth and to increase their convergence with the EU *per capita* income (Chislett 2004).⁵ Notwithstanding, the recent financial and economic crisis has jeopardized the positive results achieved so far, especially in Portugal, where the effects had been more modest and the crisis broke out much earlier.⁶ As chart 2 shows, from 1989 to 1993 Spain was the main beneficiary of EU financial intervention in absolute terms, followed by Italy and Portugal, the latter ranking first when taking into account the gross domestic product of each country. Moreover, in the following financial period going from 1994 to 1999, Spain more than dou-

⁴Structural policy was reinforced by the Treaty of Maastricht, which also created the cohesion funds to, in principle, help Greece, Portugal, Spain and Ireland to meet the convergence criteria for the EMU.

⁵ Both countries reached historic highs in the IMD international competitiveness index in 2000, ranking 25 and 28 respectively. However, in the 2010 IMD index Spain ranked 36 and Portugal 37.

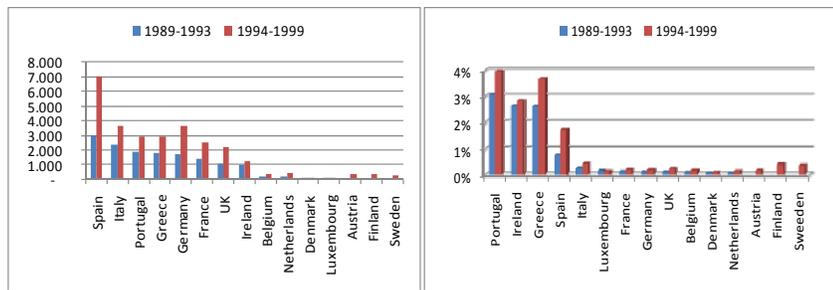
⁶ Whereas the Portuguese economy started to slow down in 2001, Spain would not start noticing the crisis until 2007.

bled its receipts in both relative and absolute terms, and Portugal also increased its allocation, remaining the member state getting more funds as share of total GDP. In chart 3, we can observe how EU funds to Spain started to fall as from 2004 as the result of both enlargement and a good economic performance, whereas in Portugal they remained at pre-enlargement levels.

Chart 2.- EU structural intervention

ECU millions (national average)

% GDP

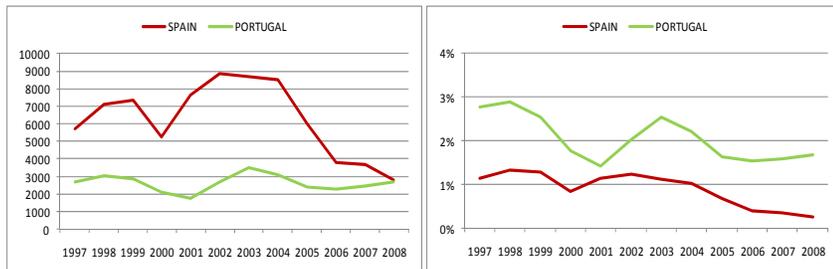


Source: data from *First Report from the Commission on Economic and Social Cohesion*, Table 24.⁷

Chart 3. -Operating budgetary balance: expenditures

ECU/EUR millions

% GDP



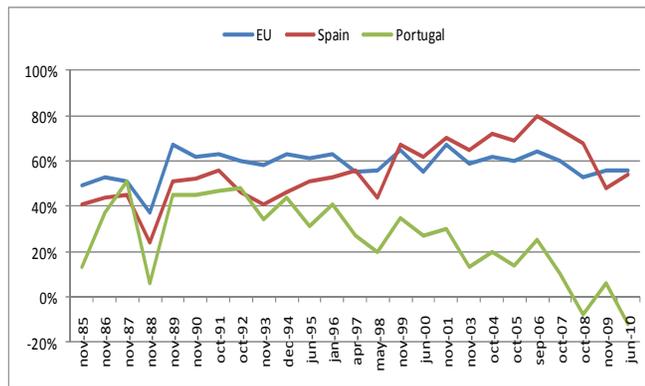
Source: data from *EU Budget Financial Report*, 2006 and 2008.⁸

⁷European Commission, 'First Report from the Commission on Economic and Social Cohesion', COM (96) 542 final/2, 08.4.1997

⁸European Commission, *EU Budget 2006 Financial Report*. Luxembourg: Office for Official Publications of the European Communities, 2007. European Commission, *EU Budget 2008 Financial Report* Luxembourg: Office for Official Publications of the European Communities, 2009.

Life conditions have improved in both countries during their twenty-five years of membership in the EU; however, socio-economic progress has been more substantial in Spain. For instance, in the Human Development Index, which consists of three indicators related to health, education and living standards respectively, Spain has moved from 0.704 in 1985 to 0.863 in 2010, coming up to the 20 position in the world ranking, whereas Portugal has improved from 0.657 in 1985 to 0.795 in 2010, moving up to the 40 place.⁹ Indeed, citizens' satisfaction with the life they lead has improved steadily in Spain reaching the EU average, whereas in Portugal it has decreased for the last fifteen years.

Chart 4.- Citizens' satisfaction with life they lead (net values)¹⁰



Source: data from Eurobarometers

Strong Support for EU Integration

Whereas some authors have stressed the importance of historical and socio-political factors to explain extensive public support to the EU in some member states (Eichenberg and Dalton 1993), others have associated it with the perception of individual and collective economic benefits (Anderson and Reichert 1995). The case of Spain and Portugal shows in which ways both types of factors are important. The success of their democratic transitions, the modernization of

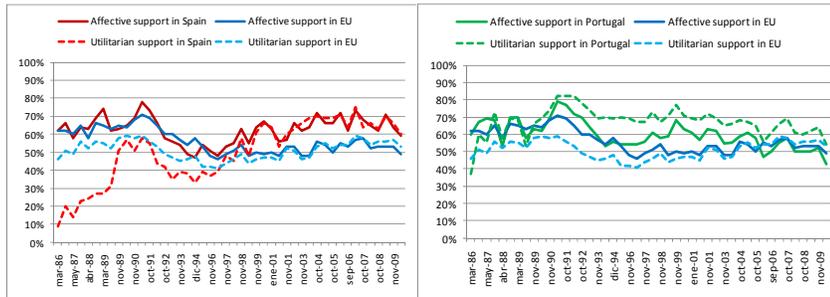
⁹In the HDI, the indicator Health is measured as life expectancy at birth, Education as mean years of schooling and expected years of schooling, and Living standards as the GNI per capita. Yearly data can be found at the website of the United Nations Development Programme <http://hdr.undp.org/en/statistics/>

¹⁰ Satisfaction with life has been calculated as the difference between the rate of citizens that feel fairly or very satisfied with the life they lead and the rate of respondents that say to feel fairly or very unsatisfied.

their countries, the economic development and the restoration of their international role all have been traditionally associated to EU membership by Spanish and Portuguese political elites, which together with their clearly pro-European discourse and attitudes have contributed to preserve the strong support the EU already enjoyed among their citizens. However, to which extent does this support respond to interest- or identity-based factors? Did both countries experience a similar evolution? Is the economic crisis having the same impact in both?

Support for EU integration can respond to some perceived and relatively concrete interest (*utilitarian*) or to the endorsement of the values and principles in which it is founded (*affective*). Although different scholars have measured in a different way utilitarian (specific) and affective (general) support to the EU, for the purpose of this study utilitarian support will be operationalized as the percentage of respondents in the Eurobarometer surveys from 1986 to 2011 that think that their country has benefited from membership to the EU (Single Market, etc.), whereas affective (diffuse) support will be measured as the percentage of respondents that think that this membership is, generally speaking, a good thing. Two general remarks can be made regarding the overall evolution of both indicators in the EU. Before the elaboration and ratification of the Treaty of Maastricht, the level of affective support to the EU in member states reached as average values over 60%, with the level of utilitarian support remaining below. The economic crisis and the debate about the democratic deficit in the EU brought both rates to decline in the years after. In June 1995, only 38% of citizens (33% in Spain and 35% in Portugal) felt fairly or very satisfied about the democratic functioning of the EU, whereas 48% felt unsatisfied (55% in Spain and 46% in Portugal).¹¹ After 1996, the level of affective support stabilized between 50-55%, being progressively surpassed by the level of utilitarian support. This trend could speak for the change from a *permissive consensus* to a *constraining dissensus* in EU policy making (Closa and Piedrafita 2011; Hooghe and Marks 2008). Some of these features can also be observed in the evolution of the indicators in Spain and Portugal, though with some peculiarities.

¹¹Data from Eurobarometer 42, Spring 1995. In 2000, 56% of EU citizens felt satisfied (75% in Spain and 50% in Portugal) whereas only 38% felt unsatisfied (23% in Spain and 45% in Portugal). In 2009, 54% felt satisfied (59% in Spain and 48% in Portugal), and 32% felt unsatisfied (30% in Spain and 39% in Portugal).

Chart 5. - Spain and Portugal's support to the European Union

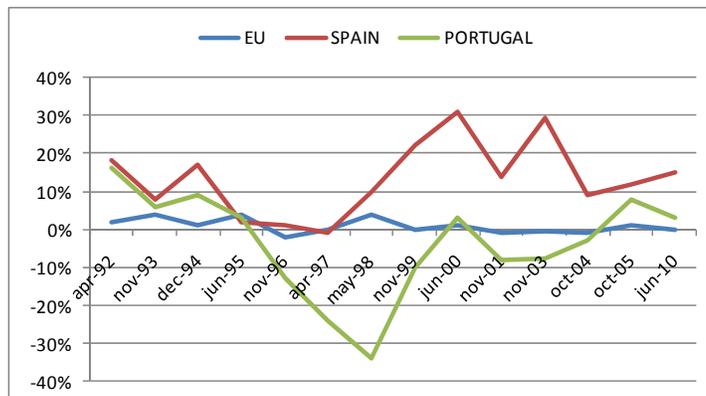
Source: data from Eurobarometers

In the years after accession, Spain's affective support was above 60% and close to the EU average, although the utilitarian support was extremely low, with less than 20% of Spaniards perceiving the benefits from their country's membership to the EC. Initial support was thus basically affective, a diffuse and emotional reaction to the values that Europe represented, rather than utilitarian; membership was valued for political reasons rather than for specific economic benefits (Barbé 1999: 20). Support in Spain plummeted, with the EU average, as from 1991. Social discontent after the Treaty of Maastricht was further aggravated in this country by a severe economic crisis with high unemployment rates, increasing commercial deficits with the EC coinciding with long transitional periods still in force, and tensions in domestic politics due to some corruption cases. After 1997, support to the EU soared, and as from 1999, coinciding with an impressive economic development and the implementation of the EMU, the utilitarian support started to reach similar values to the affective support. In May 2007, more than 70% of the respondents believed that Spain had benefited from being a member of the EU and that, generally speaking, membership was a good thing. The recent economic crisis and growing tensions in domestic politics had an impact on both indicators, which went below 60%. However, they still remain above EU average, which together with the significance of the affective dimension in Spain's support to the EU integration, lead one to think that this might be a slight temporary downturn. Indeed, support for the EMU and the Euro was still above 60% in 2010, and the level of European identification remained high, as it is explained below.

In Portugal, right after the accession negotiations only 37% of the citizens believed that their country had benefited from being a member of the EC. However, this trend was reversed immediately, with the utilitarian support peaking up to 82% in the early 1990's. During the next ten years, the utilitarian sup-

port in Portugal was around 20 percentage points higher than the EU average, and even exceeded the level of affective support in that country, which in any case reached values similar to those in Spain. The economic slowdown initiated in 2002 was a turning point in this trend, and both rates started to decline with ups and downs. In 2010, only 54% of the Portuguese citizens thought their country had benefited from being a member of the EU and just 43% believed membership was a good thing in general (even below 57% and 49% EU average). Therefore, the impact of the economic crisis on the level of support to the EU has been higher than in Spain, probably because the utilitarian dimension is more significant in Portugal. This can respond to the fact that the national identity is more prominent in this country (as also noted in the analysis of the attitudes of the political and economic elites in the previous section). Whereas in Spain, people that see themselves as both Spanish and European in the near future clearly outnumber those that only see themselves as Spanish (especially as from 1998), the number of citizens that see themselves as only Portuguese has traditionally outnumbered those that see themselves as both Portuguese and European (although this tendency is changing recently).

Chart 6.- European identification¹²



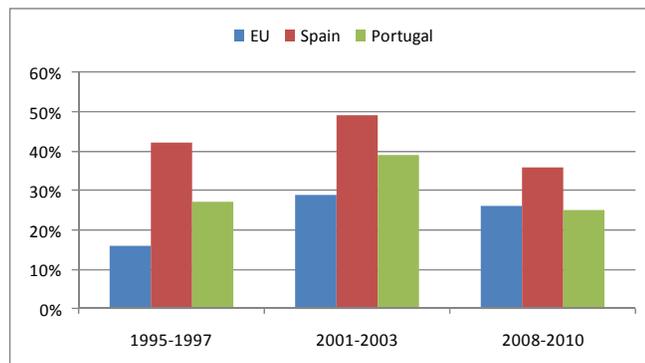
Source: data from Eurobarometers

Traditionally, Portugal's and especially Spain's support for the Euro had been very high. Even before implementation of the third stage of the EMU (1999), Spanish citizens that were 'very much for' or 'somehow for' a common

¹² The level of European identification has been operationalized as the difference between the percentage of citizens that see themselves as 'national' and European at the same time, and those that only see themselves as 'national'.

European currency outnumbered those ‘somehow against’ and ‘very much against’ in 42 percentage points, 27 in Portugal and 16 in the EU (chart 7). This shows the strength of pro-integration perspectives in both countries, especially in Spain. From 2001 to 2003, support for the EMU and the Euro outnumbered rejection in 49 percentage points in Spain, 39 in Portugal and 29 in the EU, which reflected the perception of the actual benefits by the citizens. The recent financial and economic crisis has had a negative impact on public endorsement of the EMU, especially in Portugal. Nevertheless, according to the last Eurobarometer, 83% of the Spanish and 72% of the Portuguese citizens believe that the EU should take a stronger role in the regulation of the financial markets, and most of respondents in these countries consider the EU the best able to take effective actions against the effects of the financial and economic crisis (EB-74, autumn 2010).

Chart 7.- Net support for the EMU and the Euro¹³



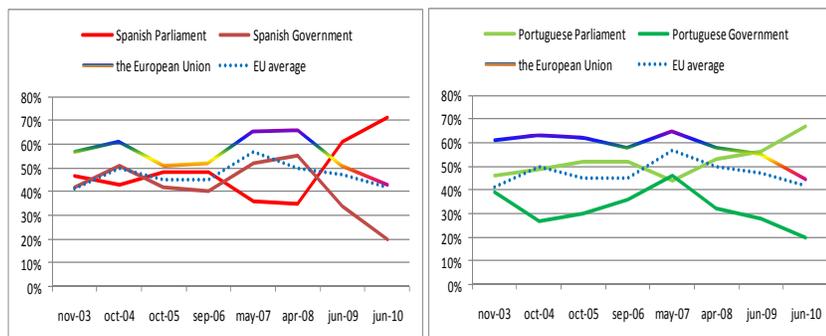
Source: data from Eurobarometers

It seems logical that Portuguese and Spanish citizens’ support for the EMU declined after the delicate situation they had to go through facing bail-outs and aggressive deficit cuts that were directly associated with belonging to the Eurozone. However, the negative effect of the crisis might be going beyond. In recent years, citizens’ trust in the EU and its institutions, which had traditionally

¹³Net support for each year has been calculated as the difference between the percentage of respondents ‘very much for’ or ‘somehow for’ a common European currency and those ‘somehow against’ and ‘very much against’ for the years before 1999, and as the difference between the percentage of respondents ‘for’ and those ‘against’ the European Monetary Union with one single currency for the years after. Net support for each period corresponds to the mean of the values for those years.

been well above EU average and even about their trust in their own national institutions, has plummeted (together with trust in their national governments). In 2010, it reached a historic low in both countries, with only 43% of Spanish and 45% of the Portuguese citizens (42% EU average) tending to trust the EU.¹⁴ Other indicators of pro-integrationist attitudes have also suffered in recent years. For instance, public preferences for a stronger European Parliament and the so-called Eurodynamometer, which had been traditionally high in both countries, have declined considerably.¹⁵ Although it is still early to confirm whether this trend is going to persist, it should not go unnoticed.

Chart 8.- Trust in the EU, the national parliament and government.



Source: data from Eurobarometers

Spain and Portugal share a similar understanding of EU membership in which lies much of their support to EU integration. Identification of EU membership with the break with the past, democracy, modernization, prosperity and solidarity, together with the prominence of pro-European attitudes in domestic policies, fuelled a strong support for the EU integration over the time in both countries. The affective dimension of this support has been traditionally significant, although in Portugal it has plummeted in recent years. The utilitarian dimension was from the beginning quite relevant in Portugal, whereas in Spain gained significance as from 1996. In Spain, there is a higher identification with Europe, while the national sentiment is more patent in Portugal, which might explain

¹⁴ Specific trust in the European Commission, the European Parliament and the Council of Ministers also declined in 2010 in both countries.

¹⁵The Eurodynamometer reflects citizens' preferences regarding the speed of the integration process.

stronger support for the Euro and the Constitution in the former.¹⁶ Nevertheless, indicators about pro-integrationist attitudes have been generally high in both countries, also trust in the EU and its institutions.¹⁷ However, in the wake of the recent economic crisis both support and trust have declined, especially in Portugal.

Support for Enlargement despite the Costs

It is not only as the result of ‘deepening’ but also ‘widening’ that the EU undergoes substantial changes and constructs itself. Member states (and the EU as a whole) might endorse the accession of a third country for the net benefits that it can bring about and/or because it is to promote certain values or principles. Like further integration, enlargement enjoys wide support among citizens and political elites in Portugal and Spain, which is closely connected to their particular understanding of EU membership. To which extent does this support respond to interest- or identity-based factors? Did Spain and Portugal take a similar stance in Eastern enlargement? Can we observe similar attitudes regarding future enlargements?

We can distinguish between the *instrumental* and the *identitarian* dimension in support for EU enlargement. In the first case, support derives from expectations to pursue specific goals and maximize particular interests. In the second, it stems from conformity with the principles and values that justify the policy according to one’s identity and/or from the will to conform to collective expectations. Some authors have explained the position of member states in Eastern enlargement on the basis of their economic and geopolitical interests (Moravcsik and Vachudova 2003; Schimmelfennig 2003), whereas others have underlined the role played by common identities, collective values and norms (Piedrafita 2006, Riddervold and Sjørnsen 2006, Zavorowski 2006). The fact is that the open character of the EU project, its foundational principle to bring closer the peoples of Europe, its commitment with peace and democracy in the continent, and the historic responsibility towards the Central and Eastern European Countries (CEECs), all contributed to push enlargement ahead even though the costs and challenges could exceed the benefits (Sedelmeier 2005; O’Brennan 2006).

Spain and Portugal were two peripheral states that would not benefit much from enlargement but that, nevertheless, supported the process. In this support, the identitarian dimension was more significant than the instrumental dimension. Neither Portugal nor Spain would extensively benefit from trade creation with the CEECs as the result of enlargement, since they barely had relations

¹⁶ Support for the Constitution was 72% in Spain and 61% in Portugal, according to the Eurobarometer 62 (Autumn 2004).

¹⁷ Spain has stood out in support for the Euro, a EU government or a Constitution for Europe, whereas Portugal has ranked higher in other indicators such as the Eurodynamometer or the preference for a stronger EP.

with these countries and were located quite far away. Moreover, they risked trade diversion effects, that is, their exports to EU markets could be replaced by products coming from the new member states due to their comparative advantages. These also would attract direct foreign investment previously arriving to the Iberian countries, and which had been essential to finance their economic development (Martín *et al* 2002; Turión and Velázquez 2004; Crespo *et al* 2004). The other financing source, the EU funds, was also at stake. The new member states would become the main beneficiaries of the structural and cohesion funds, with especially Spain reducing its receipts and probably becoming a net contributor (Martín and Sanz 2003; Sanz 2005). On top of that, the Iberian member states feared to become more peripheral in a Union whose core was moving to the Northeast, and to lose their capacity to promote EU external action on Latin America and the Mediterranean rim countries.

Nevertheless, Portugal and Spain supported Eastern enlargement for the principles and values in which the policy was justified, which had a special resonance in these two countries due to their particular experience and understanding of EU membership. Europe represented for the Iberian countries the exit gate from their authoritarian past and the key to consolidate their new democracies; now they could not deny the same right to the CEECs. Membership had extensively contributed to the economic modernization and development of both countries; now, they could not deprive the CEECs from receiving that solidarity. Both the Portuguese and the Spanish governments had joined the EC with the clear purpose to bring their countries to the core of the organization displaying a very pro-European discourse; now, they could not oppose such a fundamental project about what the European Union was and would become (Piedrafita 2010; Schukink and Niemann 2010).¹⁸ 'The Spanish government wanted to show its pro-Europeanism, not only because we were newcomers and had to gain credibility, but also because we were true Europhile. We always considered Europe as the solution to our national problems, and we could not deny the same perspective to the Central and Eastern European countries.'¹⁹ 'EU member states felt guilty for the recent past of the Central and Eastern European countries, for abandoning them, and responsible for their future. We had to avoid another Yalta and enlargement seemed to be the best solution. It was a historic decision that Spain could not oppose because we had benefited extraordinarily from Europe to consolidate our prosperity and our future, we were the newcomers, and we were constantly showing off our pro-Europeanism.'²⁰ 'In general, Spain could not oppose any enlargement. We were the new member of a 'selected club'. Now, that there were others knocking at the door, we could not keep it closed. As newcom-

¹⁸ For the interviews with the Portuguese policy-makers sustaining this argument, see the work of Schukink and Niemann (2010).

¹⁹ Leading Spanish Socialist MEP, interview with author, 29 November 2005.

²⁰ High-level diplomat in Spain's Secretariat of State for the European Union and the Spanish REPER, interview with author, 6 June 2006

ers, we were very concerned about the image that the other partners had about us. We had to gain credibility and demonstrate we were a good partner, and we were very pro-European. In the particular case of Eastern enlargement, there was a strong impact of our historical memory, our own experience, the great empathy we felt towards those countries.²¹ ‘We had to support these countries. We had suffered the same in our own skin! We would have never denied them the solidarity that we had received.’²²

However, this support was not that straightforward from the beginning. During the negotiations of the association agreements with the CEECs (1990-1991), both the Portuguese and the Spanish governments objected the inclusion of a membership clause in the treaties. They believed it was still too early and risky to speculate about the scope of the political events taking place in the CEECs, and they contended it was essential to ‘deepen’ the Community before any ‘widening’. However, the risk of a setback in the reform process and growing conflict in the former Soviet Union and Yugoslavia, on the one hand, and the ratification of the Treaty of Maastricht and the launch of enlargement talks with the EFTA countries on the other, began to put into question the appropriateness of staving off a clear endorsement of Eastern enlargement (Piedrafita 2010). It was in the 1993 Copenhagen European Council that the Twelve finally gave their welcome to those associated countries willing to join the EU provided that they met some economic and political criteria.

The initial objections about the timing led some argue that the Spanish and Portuguese government had to accept the agreement because they were ‘rhetorically trapped’ (Schimmelfennig 2003). However, interviews with the main policy-makers have confirmed that, if before they felt to have legitimate claims to postpone the agreement, in the new context they did not. After enlarging to the ‘rich countries’ and concluding the ‘deepening’ process, and in view of the social unrest in Eastern Europe, the decision could not be delayed any longer. Indeed, the Portuguese and the Spanish governments continued legitimizing the decision afterwards in Identitarian terms. Eastern enlargement was about reconciling Europe, the great reunification, the key for security and stability in the whole continent. It was a moral and historical challenge rather than economic or financial (Piedrafita 2006; Schukkink and Niemann 2010). Moreover, the Iberian governments facilitated the 1997 Luxembourg European Council agreement to start the negotiations with a group of candidates, favored the later inclusion of the other applicants, and contributed to the progress of the accession negotiations with a cooperative attitude during the talks and in particular with their two presidencies of the Council (Piedrafita 2010; Schukkink and Niemann 2010). This all

²¹High-level diplomat in Spain’s Secretariat of State for the European Union, interview with author, 19 May 2006

²²Top Official at the Secretariat of State for the European Union, interview with author, 5 April 2005

speak for the significance of the identitarian dimension on Spain's and Portugal's support for enlargement. Nevertheless, there was also an instrumental dimension in both governments' strategy to take advantage of the situation to advance their priorities in other policy areas and to achieve their goals for the necessary institutional reform and the future of the structural policy.²³

Despite the instrumentality perceived during the negotiations, the identitarian dimension of support to enlargement prevails. Actually, in the case of Turkey, where the expected costs are especially high and there is not a favorable political climate which could bring pressure on reluctant member states, both the Spanish and the Portuguese governments have consistently shown their support for the enlargement. According to the above mentioned IntUne study, Portugal and Spain are among the member states with the lowest percentage of the political elites (25.3% and 23.7% respectively) thinking that Turkey might constitute a threat for the cohesion of the EU (Jerez-Mir and Vázquez 2009: 19). Concern is naturally higher among economic elites, but still lower than in most other member states. Political and economic elites in both countries think that enlargement to include other applicant countries would neither be a threat to EU cohesion.

²³ During the 1990's, EU relations with Latin America and Mediterranean rim countries were substantially strengthened. In negotiations of the Treaty of Nice, the Spanish government refused to accept any agreement that would not give a Spain an increase of the votes in the Council higher than any increase for the other large member states; whereas the Portuguese government was against measures to correct increasing overrepresentation of the smaller member states. Additionally, both countries (together with Greece) accepted that cohesion policy be switched to qualified-majority voting only after the adoption of the multi-annual financial perspectives applicable as from 1 January 2007. In the framework of the accession negotiations during the 2001 Swedish Presidency, the Spanish government also tried to force a commitment to consider the impact of the 'statistical effect' in the next financial perspectives.

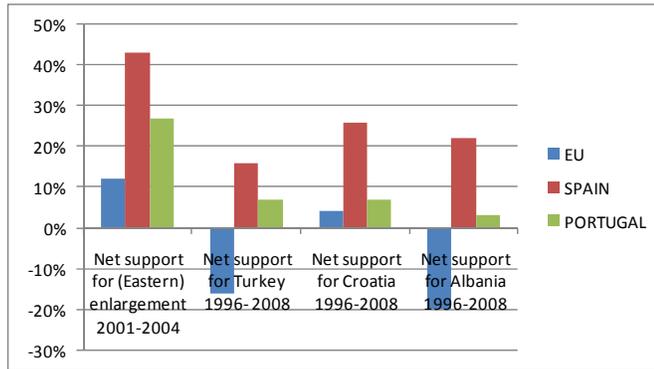
Table 1 - Perception of enlargement as a threat

	Enlargement to include Turkey is a threat		Enlargement to include countries other than Turkey is a threat	
	<i>Political elites</i>	<i>Economic elites</i>	<i>Political elites</i>	<i>Economic elites</i>
Great Britain	14,30%	38,10%	6,10%	14,30%
Italy	18,30%	38,10%	22,10%	43,90%
Spain	23,70%	35,20%	13,00%	25,90%
Portugal	25,30%	40,00%	19,00%	35,10%
Czech Republic	33,80%	47,60%	15,60%	31,70%
Germany	34,20%	51,20%	36,80%	42,90%
Lithuania	46,80%	65,00%	23,10%	23,10%
Poland	46,80%	34,10%	12,00%	12,20%
Bulgaria	47,40%	62,50%	27,30%	26,20%
Denmark	49,20%	61,50%	38,50%	38,20%
Austria	49,40%	42,40%	30,30%	12,10%
Slovakia	57,50%	55,00%	12,80%	10,00%
Estonia	57,70%	51,30%	29,00%	33,30%
Hungary	58,20%	68,30%	32,40%	31,40%
France	58,40%	61,00%	57,40%	69,80%
Belgium	63,80%	50,00%	60,80%	50,00%

Source: Jerez-Mir and Vázquez (2009, 19)

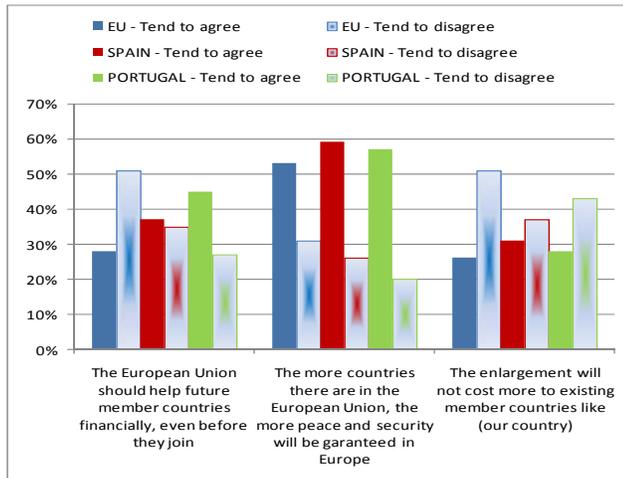
Likewise, the pro-enlargement attitude is dominant among the general public. Even during the negotiations themselves, with the public debate rife with heated discussions for the loss of structural funds, the Spanish citizens 'for' the EU to include new members outnumbered those 'against' in 43 percentage points, 27 in Portugal. Net support for the accession of Croatia is also high, especially in Spain (chart 9). In the case of Turkey and Albania, while Europeans 'not in favor' clearly 'outnumber those 'in favor', both in Portugal and Spain net support is positive. In April 2008, 55% of Europeans were not in favor of enlargement to Turkey, whereas in Spain the majority (48%) was in favor, 42% in Portugal. This is another indicator of the significance of the identitarian dimension in support for enlargement, especially in Spain. As a matter of fact, Portuguese and Spanish citizens tend to play down the costs of enlargement more than EU average (chart 10). An overwhelming majority also agrees that the more countries are in the EU, the more peace and security will be guaranteed in Europe. Finally, whereas most Europeans do not think that the EU should help financially the applicants, in Spain and especially in Portugal most of the respondents tend to agree.

Chart 9 - Net support for EU enlargement²⁴



Source: Eurobarometers

Chart 10 - Approach to enlargement



²⁴For 2001-2004, net support for each year has been calculated as the difference between the percentage of respondents that are ‘for’ and those ‘against’ the EU enlarging to include new members; the chart shows the mean for May 2001, November 2001, January 2003, November 2003 and April 2004. For Turkey, Croatia and Albania, annual net support has been calculated as the difference between the percentage of those in ‘favor of enlargement’ to each country and those ‘not in favor’ in January 1996, November 1999, November 2001, June 2005 and April 2008; the chart shows the mean.

Source: data from Eurobarometer May 2002.

Conclusion

Strong public support for EU enlargement in Portugal and especially in Spain is explained to a great extent on the basis of their own experience and their particular understanding of EU membership rather than on specific interests. The identitarian dimension of support for enlargement is also very significant among the political elites. The Iberian governments supported Eastern enlargement despite the costs because of their understanding of Europe as a guarantor of stability and democracy, the similarities with their own experience, and their will to demonstrate their pro-Europeanism. Governments in both countries have also shown their support to the enlargement to Turkey.

Likewise, Portugal's and Spain's understanding of EU membership as the key to break with their past, consolidate their democracies, modernise the country, increase prosperity and regain their role in world politics, has contributed to maintain a high level of support and trust in the EU among their citizens and nurtured very pro-European attitudes during these twenty-five years of membership. However, the recent economic and financial crisis is changing this picture and might spark a change of the way they understand their membership to the EU. The effect is clearer in Portugal, where a weaker European identification and a stronger utilitarian dimension of support to the EU combine with a more limited socio-economic progress in previous years and a more relevant impact of the crisis in recent times.

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II. Selected EU Common Policies

How Spain Implements European Law

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I. Preface

The construction of Europe began with the building of a common market. Then, it expanded its objectives in order to address the new problems arising from its own success. Fifty years later, a worrying imbalance can be observed. Economic integration has gone so far as to achieve the merging of national currencies and the holding of a simple passport, while the integration of Europe's peoples and citizens is still in its infancy.

A unified Europe needs a unified law. From the beginning of the EC/EU there has been an intense debate whether the EU should remain a large market or should become something much more intense. In the second case, the EU needs to have a single territory, a single currency and passport, an internal market without borders and also a single law. St. Matthew (Matthew, 12, 25) said that "no kingdom can be at war with itself without being laid waste; no city or household that is at war with itself can stand him".

To have and apply a single law: As the European Commission's Strategic Objectives declared:

Failure to apply European legislation on the ground damages the effectiveness of Union policy and undermines the trust on which the Union depends. The perception that "we stick to the rules but other don't", wherever it occurs, is deeply damaging to a sense of European solidarity ... Prompt and adequate transposition and vigorous pursuit of infringements are critical to the credibility of European legislation and the effectiveness of policies. (Commission of the European Communities, 2005: 5).

II. An Overview on Community Law

Community law is the law enacted by the EU institutions, which is integrated in the legal systems of the Member States (MS) and is applied to the jurisdictional organs. Community law benefits from the fragrances of the laws of all European peoples and constitutes an insuperable instrument for the harmonization of the

law in the world through the convergence of the two main legal systems of common law and civil law.

III. The Acquis Communautaire

The term *acquis communautaire* (Community acquired) refers to the total body of EU law created and accumulated in the EU thus far. All European countries that wish to apply for membership of the EU must justify that they have integrated the *acquis communautaire* within their legal system. That is why candidates generally start introducing the necessary changes progressively as soon as they submit their membership application. During the process of the enlargement of the European Union, the *acquis* was divided into 31 chapters for the purpose of negotiation between the EU and the candidate MS for the fifth enlargement.

IV. EU Sources of Law

A. Primary or Origin Legislation

a. Treaties

The Treaties are considered to be the "constitution" of the European Union. They imposed binding obligations on the signatory states particularly with regard to the supremacy of the Treaties and enacted European Community legislation over national laws. The Treaties form part of the national law of each member state.

i. Founding Treaties and Amending Treaties

- European Coal and Steel Community, Paris 1951
- European Economic Community, Rome 1957
- European Atomic Energy Community, Rome 1957
- Treaty establishing a Single Council and a Single Commission (Merger Treaty), Brussels 1965
- Single European Act, Luxembourg 1986
- Treaty on European Union, Maastricht 1992
- Treaty of Amsterdam, 1997
- Treaty of Lisbon, 2000, which entered into action a few days after its approval by the Czech Supreme Court.

ii. Treaties of Accession

- Treaties of adhesion Denmark, Ireland and UK, which entered into action 1-1-1973.
- Second enlargement: Greece, 1-1-81
- Third enlargement: Spain and Portugal, 1-1-86

- Fourth enlargement: Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia, Malta and Cyprus, 1-5-04.
- Fifth enlargement: Romania and Bulgaria, 1-1-07.

iii. Bilateral agreements

- Agreements between the EC and the African, Caribbean and Pacific Group countries (ACP countries) (Lomé Conventions).
- Other agreements between the EC and third countries, e.g. the Agreement on the European Economic Area.

b. Other documents

- At the Agenda 2000, the Commission's detailed the strategy for strengthening growth, competitiveness and employment and widening the European Union in the early years of the 21st century.

B. Secondary or Derivative Legislation

- Major policy-making legislation issued by the Council itself or in conjunction with the European Parliament begins with a Commission proposal which is submitted to the Council. The European Parliament is consulted, as may be the Economic and Social Committee, and both institutions can issue opinions on the proposals. The Commission also issues legislation in its own right to implement or regulate existing policies on the basis of authority given by the Treaties.

The following are the main types of legislation:

a. Regulations

The regulations become directly part of the national law of the MS. They are binding and directly applicable (meaning that they do not have to be implemented by any national legislation) to all member states. If there is a conflict between a regulation and an existing national law, the regulation prevails. Among the many examples, we can cite the Regulation 880/92 on Community eco-label award scheme and the Regulation 1346/2000 on insolvency proceedings, which were immediately applicable after their adoption.

b. Directives

The directives have to be implemented by national laws. They require that MS change their national laws within a stated period of time in order to give effect to the directive aims. Directives are used to bring different national laws into line

with each other and are particularly common in matters that affect the operation of single market (Puerta, 1999). A good example is the fourteen company law directives that intend to harmonize company law in the EU. There are also single-objective directives, such as the Directive 95/46/EC of the European Parliament and of the Council of October 24, 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data, the Directive 97/7/EC of the European Parliament and of the Council of May 20, 1997 on the protection of consumers in respect of distance contracts, and many others.

c. Decisions

The decisions address a specific problem. They are not legislative instruments aimed at the general public, unlike the regulations, and are binding in their integrity, unlike the directives. The decisions are binding upon those they are addressed. One example is the Decision of the European Parliament and Council for the 6th Environment Action Program, which obliges the EC to present strategies within a given time and including certain elements.

d. Other

i. Decisions of the European Court of Justice (ECJ)

These are binding on the parties to whom they are addressed, whether MS or individuals. See, for example, *Commission v Spain* C-92/96, judgment of 1998-02-12 (environment and consumers), and *Interior v Commission*, T-124/96 judgment of 1998-02-06 (Law governing the institutions). See also the judgment of the ECJ in *Case C-249/96 Lisa Jacqueline Grant v South-West Trains Ltd* (discrimination based on sexual orientation is not covered by the equal pay rules of the Treaty), etc.

ii. Recommendation and opinions

These have no binding force, but merely state the view of the institution (such as the Commission) issuing them. For example, the opinion of the Advocate General Finlay delivered on 5 February 1998 in *C-170/96 Commission of the European Communities v Council of the European Union* or Recommendation No. R (95) 13 of the Committee of Ministers to Member States concerning problems of criminal procedure law connected with information technology.

As the EU is becoming larger and more integrated, the number of secondary legislation is exponentially increasing. In 1970, we can count 46 regulations and 20 directives; from 1998 to 2004, 18.167 regulations and 750 directives were released. In Germany, the Ministry of Justice said that between 1998 and 2004, 84% of all new law originates in Brussels and only 16% in Berlin.

V. Implementation

“The policy of European integration is in reality an exercise of war and peace in the 21st century.” - Helmut Kohl

A. Transposition of Sources of Law

a. Implementation of regulations

As we saw, regulations need not to be transposed because they are immediately applicable to all citizens; directives need to be transposed. For example, Regulation 1346/2000 CE on insolvency proceedings need not to be transposed and, therefore, when Spain approved the new Bankruptcy Law (Ley Concursal) 2003, it did not transpose the Regulation, only the new law included a few provisions in Title I and IX on international bankruptcies so that the Regulation would not find any obstacle for its full application in Spain (Trizo and Cambronero, 2003).

b. Implementation of directives

The first step towards implementation of directives is transposition (incorporation of the directive’s provision into national laws). Subsequent to transposition, national agencies need to become familiar with their monitoring and supervising tasks; the target groups of the policies, duly informed about their rights and obligations, their behavior needs to be monitored and, in cases of non-compliance, sanctioned. The transposition of directives can only be implemented following their national transposition. The zeal for carrying out transposition varies with each MS. Traditionally, the best performer is probably the UK, which at some times has complied in 60% of all cases and the worst is Greece with 25.5%. Spain is at 47.1%.

B. Steps for Transposition (Pacheco, 2008)

a. Need to transpose

There is a need to transpose the directive, totally or partially, unless the MS has the directive’s matter already developed in its internal system. Indeed, the European Court of Justice (ECS) has declared that MS must not pass new legislation measures to develop directives in the case that national legislation already covers the objectives foreseen by the directive, but it requires guarantees that national legislation effectively covers the directive’s contents.

b. National implementing measures

The authorities of a MS must issue the necessary national implementing measures, which vary from country to country, to incorporate the provisions in the directive into national law

c. Form of transposition

The proper form to guarantee the useful effect of the directive depends on each MS legal system. The MS use different criteria in the process of transposition. The ECJ says that transposition cannot be done through a verbal or a circular instruction that can be easily changed. A correct transposition requires provisions precise, clear and transparent so that everybody can understand their rights and obligations. Transposition must be done totally and not through the referral to the directive itself; avoiding uncertainties or introducing alien legal categories which may complicate the execution; making express reference to the directive in the preamble; and containing a derogatory provision of all annulled provisions.

The Spanish State Council (“Consejo de Estado”) resolved that the transposition norm must have the same rank as those which the matters of the transposable directive currently have. The problem arises when such matters are submitted to the principle of reserve of law. Due to the length of the legislative process, sometimes it is not possible to respect the transposition terms and the solution which has been found is the form of decree-law. If there is not such reserve of law, the form of regulation is normally used. The Commission has issued useful recommendations in the form and good practices on transposition of directives.

d. Procedures

In countries with a centralized political structure, the transposition is simple. In countries, such as Spain with decentralized structures (autonomous communities), institutional autonomy operates accordant to the Constitution prescriptions. In Spain, although at the beginning there was a tendency to expand the competence of the state, since 1989 the interpretation is more in favor of the autonomous communities and therefore, if the matter of the directive to be transposed is a matter of autonomic competence, the transposition will generally correspond to the autonomous regions.

e. Time period

Directives must be incorporated to the MS systems in the periods established by each directive, regardless of their complexity. Currently, the time granted for transposition averages 37 months for new directives, and 30 for amending directives. The ECJ has hold that, if the MS does not timely transpose a directive, it infringes the EU Treaties and the Commission can open an infringement procedure against the infractor. In Spain, in order to avoid delays, a Council of Ministers resolution of July 1990 passed an instruction to accelerate the transposition procedures, giving them priority character and recommending the relevant organs to speed up.

f. Facts that may speed/delay the transposition

The performance with the transposition periods varies for a number of factors, such as:

- from country to country
- from different sectors with each country. It also depends on the interests of MS governments (the “voluntaristic approach”)
- from the complexity of the directive;
- from domestic reasons;
- federalism (Germany, Spain) v. unitarism;
- administrative efficiency;
- inter-ministerial coordination; and
- involvement of national parliament

g. Notification

Once the directive has been transposed, the MS must notify such transposition (the norms enacted) to the EU institutions and to the other MS.

h. Direct effects

Generally, the directive acquires direct effects when it is transposed into the national law. However, the directive may have direct effects, according to the ECJ (ECJ: Ratti), provided that the MS has not yet transposed the directive, that the directive defines subjective rights and that the rights are sufficiently determined and not subject to conditions. There is a vertical direct effect (limited to the relations between public powers) (ECJ: Ratti) and a horizontal direct effect (limited to the relations between individuals) (ECJ: Marshall) (Bulnes, 2006).

C. Infringements

a. Infringement of the transposition obligations

There are four types of infringements for which the Commission can launch an infringement procedure: a) non-notification, b) non-transposition, c) late transposition, or d) wrong or incorrect transposition.

b. Stages of the infringement procedure

The following are the main steps of the infringement procedure.

- complaints launched by citizens, ECOs, corporations;
- the initiative of the Commission issues event;
- non-communication of the transposition of directives by MS;
- formal letter of notice (art. 226) transposition delay beyond 35 weeks;
- reasoned opinion (art. 226) (if no satisfactory reply, and after giving the MS the opportunity to submit observations, the EC may refer it to the ECJ);
- referral to the ECJ (art. 236);

- ECJ judgment (art. 226);
- proceedings. Financial penalties (art. 228);

c. The transposition deficit

i. Time compliance

The majority, but far from, all national transposition instruments are completed on time (Mastenbroek, 2003). Regarding time compliance, there are generally three main groups of outcome: the first group (50% of cases) represents their national instruments notified on time; a second group of instruments (15% of cases) has delay of less than 6 months; and finally, a third group of national measures (35% of cases) are transposed more than 6 months late. The MS can be generally clustered into three groups with Sweden and the UK performing the best having a transposition delay of less than 2 months; Germany, France, Spain and Ireland performance range below 30 weeks delay; the Netherlands, Greece and Italy generally represent a group of their own performing worst with an average. There are a good number of periodical controls and studies on the state of transposition of directives issued by different directorates, general secretariats, etc. with regard to the sectors affected (internal market, public procurement, tax, etc.).

There are also sectorial analyses. For instance, with regard to social directives, a study on Germany, Greece, the Netherlands, Spain and UK showed that only in 42.7% of cases MS transposed in time, and that 17.5% exceeded the deadline by more than two years (Haverland, 2007). The transposition deficit target (the percentage of internal market legislation not yet introduced into national legislation by MS) was set by the European Council in 2001 in 1.5%. The Internal Market Scoreboard July 2007 issued by the European Commission showed that the transposition deficit which was 1.2% at the beginning of 2007 had increased to 1.6%, which means that MS were relaxing their implementation efforts. According to the latest Internal Market Scoreboard of July 2008, for the third consecutive time, 1.0% of Internal Market Directives for which the implementation deadline has passed are not currently written into national law. This means that MS are again in line with the 1.0% target agreed by Heads of State, which was to be achieved by 2009 at the latest. In total, 18 Member States are either at or below the new target, while 13 MS achieved their best score so far. Overall Denmark and Malta are the best performers, and Greece and Poland are at bottom of the league. Among other nine MS, Spain reached the 1% target last time round have managed to reduce their deficits even further.

According to the EC Secretariat General's report on progress in notification of national measures implementing all directives in force dated 5 September 2009, among the directives whose deadline for implementation had passed by the reference date gave Spain 1645 out of an average for EC of 1652; directives for

which measures of implementation have been notified 1633 out of an EC average of 1634 and a percentage of notification of 98.97% out of the average of 98.91%.

ii. Compliance by sectors

Environment, taxation and customs union, energy and transport and employment are the sectors that generally give rise to the maximum number of transposition infringements. Justice, health and consumer protection and information are the ones which give less.

Most MS are doing well when it comes to transposing EU internal market directives on time, but appear to pay less attention to transporting and then applying those directives correctly. The number of infringement proceedings for incorrect transposing of application of directives has increased constantly. Every year, the Commission draws up an annual report on its monitoring of the application of community law in response to requests from the European Parliament and the MS. Four factors have been distinguished affecting the implementation of European policies at the national level: political institutions, the degree of cooperation, citizen's support for the EU and political culture in the MS (Lampinen and Uusikylä, 1998).

d. Causes of delays in transposition

The transposition of directives is a question of political will. However, as we have seen, delays of transposition are caused by combination of constitutional, legal, political and operational factors whose effect cannot be judged independently. Legal factors improving the speed of transposition are the transposition of directives with delegated instruments, avoiding national "extras" when transporting directives and avoiding complications at the transposition stage by anticipating transposition issues during the negotiation stage of the directive. Political factors are: giving priority to transposition and activating the national parliament at the negotiation stage. Operational factors include clear-cut lines of administrative responsibilities to transposition, lack of administrative departments with the explicit task to specialize in transposition, and accurate and frequent monitoring of progress.

As it has been said, whatever the degree of misfit with the new EU norms and standards, the implementation of directives confronts two political systems. This conforms to a view of the EU as a federal phenomenon with two different levels of government (national and European). This multi-layer perspective suggests that the preference formation processes of the lower-level polity and the higher-level polity are clearly distinct and implies that in cases where a national government is unsuccessful in "uploading" its own preferences at the EU level as the template for the joint measure or standard, it will try to resist during the "downloading" process. Only in those cases where there is no national protest against a specific measure during EU-level decision-making, implementation should be unproblematic according to such a mainly intergovernmental per-

spective. Non-transposition could hence be considered a means to protest against being outvoted or otherwise “minoritized” in the EU’s policy process.

VI. How Community Law is Transposed in Spain (Steunenberg and Viermans, 2006)

A. In general

A recent report of the Spanish Minister of Foreign Affairs on the evaluation of compliance by Spain of the transposition of EU directives stated that, in line with the traditional behavior that is recorded in subsequent monitoring of transposition of directives, Spain continues to test a sustained effort to improve the transposition of directives. With only two exceptions, since 2004 Spain belongs to the group of EU countries that meet the transposition targets set by the European Council.

As previously stated, in the official scoreboard carried out by the European Commission in October 2007, Spain recorded a level of deficit of 1%, a figure that is below the then permitted maximum of 1.5%, and that it equals the future transposition deficit target set by the European Council for 2009.

Spain has managed to improve its rates of transposition of internal market directives. Indeed, in the control that closed in May 2008, it would have further improved such index, presents only a transposition deficit of 0.8 per 100, two tenths below the previous control result.

B. Complaint and Condemnation

In reality, Spain has had different periods between the first and the worst pupils in the class and recently with an acceptable current performance. Spain has transposed 98.5% of the EU directives in the internal market. Notwithstanding this, Spain has received a good number of complaints/letters of notice from the Commission for infringements in transposition of several directives in a variety of subjects, such as money laundering, information and consultation, financing, investment services, race equality, and some others.

Spain has also been condemned by the ECJ for transposition or application infringements in several matters such as in environmental law such as Directives 85/337 and 97/11 (since a Valencia project did not affect the environmental impact), Directive 2001 on copyright, directives on security in work, etc. The Commission sent also reasoned opinions in 2006 to Spain, among others, over non-communication of national measures on insurance mediation, market abuse directive, occupational pensions, public procurement law, etc. Two of the sectors, on which Spain has shown particular delay or bad transposition of directives, are with regard to immigration and asylum and environment.

C. Examples of Well Transposed Directives by Spain

The quality of the transposition of directives by Spain is unequal. In my professional experience, good examples of good implementation are:

- Regulations and directives harmonizing EU company law
- Directive 1985 on product liability
- Directive 94/45 on the constitution of an enterprise committee and a procedure of information and consultation of their employees, which was transposed through Law 10/1997 of 24 April (replaced by Directive 2009/38).

But others have had worse luck like, for instance, the transposition on the Timesharing Directive 94/47.

D. Spain and Environmental Directives

The *acquis* on environment law is broad and ambitious, applies to widely diverse situations in MS, is administered by many different government agencies acting at different levels and gives rise to a high level of public interest. Many problems are due to late and incorrect transposition of directives, the former accounting for 125 new infringement actions during 2007. To these are added the sectorial challenges described in detail in the Communication on 'Implementing European Community Environmental Law'. The overall EU environmental *acquis* comprises over 500 legislative items and about 75% of all national environmental acts go back to EU directive. It has been said that environmental policy is one of the "legislation factories of the EU".

Environmental directives can be subdivided into two main categories: those aiming at establishing concrete environmental objectives and targets and those that introduce procedures which should help to achieve more environmentally sustainable action (which are the most numerous). Italy (61) and Spain (42) were the countries with more infringements of these directives in 2006-2007. The transposition of directives is often an important driver for the development of a sector. This is the case for instance in the so expanded renewable energies in Spain where transposition of Directive 2001/77 on renewables, and Directive 2006 on bio carburant have definitely helped the development of this sector (Solar, 2009).

E. Spain and the Service Directive

On 28 December 2006, EC Directive 1006/123 regarding services in the internal market came into force and MS have a transposition deadline of 3 years which ends on 28 December 2009.

The transposition of this Directive is extremely complex since it affects all service sectors (70% GNP) in which 66% of Spanish employees work. However, the transposition into the Spanish legal system is viewed both as a challenge and as an opportunity, as a unique occasion to lower unjustified or disproportioned barriers to the access and exercise of a service activity in certain sectors, which will encourage business activity and contribute towards improving regulation, gaining in productivity, efficiency and employment.

VI. The Lisbon Treaty

Everybody is happy that the Treaty has finally gone into effect after the Czech Constitutional Court has approved it. The Treaty will certainly provide a tool to transform the EU into the world's most dynamic power. We cannot overstate the benefits of the Treaty because it has taken 8 years to be approved, it has required 2 different texts and 3 failed referendums, and it has caused endless trouble in the Czech Republic, Ireland and the UK. However, the implementation of community law will benefit from the Treaty of Lisbon and especially through the introduction of a full time President of the European Council and the Citizens' initiative (citizens may refer matters to the Commission).

Although the Treaty will not end all the EU's problems, such as the prospect of another Russian gas import crisis looming into the EU horizon, the serious foreign and economic policy problems and the lack of a common external energy policy, the reality is that it will clearly advance the construction of Europe. As Jean Monnet said, "The Common market is a process, not a product".

VII. Conclusion

There is a serious commitment of the Spanish government to ensure that EU legislation is transposed into Spanish law through a fast implementation, on time and correctly. Spain is an open MS in which the internal market rules operate and in which those obstacles which prevent businesses and citizens the full and effective exercise of rights under Community law will progressively disappear.

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The legal *Added Value* of European Membership: Some Issues of the Spanish Case

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Abstract

This paper upholds that *legal Europeanization* has occurred so that European membership has transformed, after 25 years from its accession in the case of Spain, domestic legal standards to common European criteria, standards and procedures - even without legal uniform patterns - from public law to private and economic law. This paper focuses its review on three topics: *competition law*, *internal market* and *consumers law*, and *private international law*, taking into full account that Spain is a non-federal, pluri-centric and pluri-legal, asymmetric member State of the European Union.

1. Introduction and General Approach

The last 25 years have given rise to some specific questions for Europe, among the first of which –both from a historical and from a present perspective– would probably be what has been the legal and institutional *added value* for the “80’s newcomers” not only to belong to, but to be *full members* of the European Union. This review of the legal meaning of European membership –involving all its implied consequences– is currently absolutely necessary, even peremptory, and requires a review of current scenarios in the light of historical lessons. We will deal with this issue after stating two facts. First, the accession of Greece, Portugal and Spain to the European Communities was not only a step further on the way for stronger European integration but also a tool for the consolidation of democracy in Southern Europe. It also led to the inclusion of countries where welfare levels, political cultures or social structures were rather far from Northern European standards – and in the case of Spain, the inclusion of a State whose structural weight and size supposed a gamble and a new shared experience for the Community itself. Second, after the first democratic elections in 1979 and after the formal presentation of its request for accession to the European Communities,

Spain's agenda was one of dealing simultaneously with three major *political currents*. During the 1977-1986 decade the pursuit of the politically agreed transformation was undertaken in parallel with the task of the democratization-federalization and Europeanization of the country. The existence of a strong political will was present at the domestic level combined with political support at the EU level. However, in the course of the last decade the results of this intense task during the decade in question have appeared to be unfinished, at least as regards the last two features: incomplete federalism at a national level, at times hesitant "Europeanization". This paper reviews this process under an objective and positive approach, establishing connections between certain aspects of this important experience.

a) The Concept of Legal "Europeanization": *Inwards and Towards*

The concept of Europeanization has been developed over two decades by the political science and international relations literature, showing how European integration puts pressure on new EU members, as well as on the standards of candidates and future candidates to adapt their institutions, structures and behaviors in accordance with a predominant European model (North 1990; Knill 2001). From the legal point of view, this concept mainly involves: a) the ability and, in fact, the *capacity to undertake* all European legal obligations necessary for full membership under the EU Treaties, and specifically under the principles of the *primacy* of European law and *loyal cooperation* between Member States, including its consequences in the field of State liability (*inward* approach); and b) as a process, the capacity to act and react by adopting "European" behavior, including generating new legal/governmental common tools or choosing new "playing fields" for the game (*toward* approach). The legal importance of the ECJ following European membership and its consequences, clearly lies within the *inward* approach, but is also clearly linked to the *towards* approach, a pro-active profile of membership. Under a diachronic / synchronic approach (Cafaggi and Gorywoda 2010, p. 8) legal Europeanization combines "a time-sensitive diachronic analysis with a more explanatory synchronic examination," in order to identify points of change in the development of national private laws and explain some critical events or turning points as causes of changes, inwards and towards. Therefore, this brief mainstream examination is based on *qualitative* standards of legal phenomena, rather than quantitative ones.

In the case of Spain, the issue of Europeanization –understanding this concept both as a process and as performance– focused on and produced three results: modernization of the country, economic development and social welfare and mobility of persons and companies. These three objectives were served by a conscientious policy during the first decade of timely adaptation to European legal "acquis" of secondary law, developed under high technical difficulties due to the complexity of the Spanish para-federal model. Let us say that the moderni-

zation issue implied radical changes regarding the Armed Forces and a new composed and pluri-centric Administration, as well as the impact of the new European rules (consistent with constitutional constraints) on gender issues and on the so-called Spanish market culture, as we will later see on reviewing competition and consumers issues. The issue of mobility, implementing European regulations, including educational mobility under two ERASMUS programs established for European universities, has also been important for the development of Spanish civil and institutional society.

b) What Does “Added Value” Mean In This Diagnosis?

Added value implies, from this perspective, *law-building* capacities using and re-creating new common playing fields at the European level. From this perspective, the first five years of the Spanish presence and membership in the EU were not limited to this *inward* action and performance; indeed, Spain soon tried to act as a new member, deriving all the possible consequences from its new status (Powell 2006). In fact, not only did Spain accept very soon the 1992 Internal Market Agenda, but during the time elapsing between its first presidency and its second presidency President González developed new aspects to Spanish European policy, notably linking the creation of new Spanish membership needs to be developed by at least three new tools: 1) developing a practical concept of *cohesion*, as a response to the considerable effort for Southern economies to adapt to freedom of movement and increased competition under the single market program by 1992; 2) creating –during the late 80s and early 90s, by the Spanish delegation to the IGC of October 1990, which prepared the Maastricht’s agenda– the concept of *European citizenship*, built from the concept of a pure European *freedom of movement*, and doing so by introducing a new “area” (space) of freedom, security and justice; 3) and finally, invoking the Spanish cultural leadership in the area, by creating the basis for a new for EU relationship and agreements with Latin America.

The Spanish experience can also be seen as a *laboratory*. The country is characterized by a high degree of legal diversity *ad intra* and *ad extra*, which means that it can be seen as a perfect test of the most *efficient and sustainable* degree of diversity possible in Europe in both ways. Membership itself is able to create a proactive force for pursuing common objectives, in a sort of dialectic functioning of the process of Europeanization. For instance, the Spanish legal approach on gender in the Act against Gender Violence (Ley Orgánica 1/2004 de Medidas de Protección Integral contra la Violencia de Género) and the procedures and mechanism instituted therein could suppose – as the last Spanish presidency of the EU tried– the establishment of new *playing fields* and new scenarios for EU future rulings.

c) Law and Judge: Legal Preemption of European Law and Domestic Judge as *Natural* European Judge

The building blocks for the legal construction under the EU Treaties and ECJ judicial development regarding the *status* of EU law and its enforcement by Member States are (1) the *primacy and direct effect* of European law –previously unlocked its constitutional basis: Treaties and secondary law– upon domestic law, which carry further consequences in case of failure to implement common legal obligations, both positive and negative, even providing for an objective system of State liability; and (2) the involvement of not only the administrative dimension, but also the *judicial dimension* in the implementation of European law, with domestic judges acting as European “natural judges” under their domestic framework of competences, including the well-known procedure of the *request for a preliminary ruling* of the ECJ. The principles of primacy and direct effect of European provisions entail, in fact, a legal preemption of EU rules over domestic rules. After the *Simmmenthal* judgment (1978), the “second generation” of decisions the ECJ (after 1989) in this field had to do, on the one hand, with more practical issues such as the scope of the protective effects of EU law as regards individuals, and on the other hand, with the role of the judge in its implementation. In its Report to the 1995 IGC Conference, the ECJ held that “the success of Community law in embedding itself so thoroughly in the legal life of Member States is due to its having been perceived, interpreted and applied by the nationals, the administrations and the courts and tribunals of all Member States as a uniform body of rules upon which individuals may rely upon their national courts.”

First, a *key* question concerns the scope of the direct effects of European Directives (“... the useful effect of Directives might be weakened if individuals were not able to invoke them before their national courts to ensure that national authorities have kept within the limits of their discretion...”, Case 51/76). After the *Von Colson/Kamann* and *Harz* judgments (1986), the legal basis for the decision came from Article 5 EC Treaty (currently Art. 4.3 TEU, principle of *loyal cooperation*), which provides that all Member State authorities should “take all appropriate measures” to ensure compliance with Community law. The ECJ then held that this included national courts, which were obliged by virtue of Article 5 to interpret national law in accordance with the aims and objectives of the Directive (*Marleasing*, 1990). During this important decade, ECJ decisions were less concerned with primacy itself than with the ultimate consequences of primacy in the field of judicial alternatives for the implementation of EU provisions. So far, primacy has in practice resulted in the obligation for EU Member States to protect rights conferred to individuals by EU law, including provisional protection by means of *interim measures* (*Factortame I*, 1990). The question arises of which legal consequences deriving from this doctrine are to be supported by Member States in case of infringement by maintaining non-adapted domestic

rules? In the *Francovich* (1991) decision, a case of breach for non-transposition of a Directive lacking direct effect, the ECJ stated that because of the rights conferred, the Member State responsibility was fulfilled by means of the obligation to make reparation for the loss and damage caused to those individuals.

Second, European membership does not only imply the obligation for Member States to implement laws, but also the obligation for domestic judges to act as *European* natural judges under the principle of loyal cooperation. To be sure, this entails (Temple Lang 2006): a) a duty to set aside any rule of national law of any private contract which could interfere with the full and complete application of European law; b) a duty to fill gaps –mainly procedural ones– in the Community legal order by supplementing rules and procedures; and c) a duty to apply, perhaps expand, or even perhaps invent new national remedies in order to effectively protect the rights or freedoms conferred or guaranteed by Community law. Hence, the national judge acts as European natural judge (Ruiz-Jarabo Colomer 1993).

In contrast with the total lack of *requests for preliminary rulings* coming from Greek jurisdictions at the moment of Spain's accession, Spanish jurisdictions were very active in resorting to the ECJ from 1987 onwards: sometimes misunderstanding the Community mechanisms (TCT 1987, Vilà 1987), sometimes raising good-quality and interesting questions with the Court (Marleasing, Publivía, El Corte Inglés, Canal Satélite Digital; for a general and qualified overview see Le Barbier-Le Bris 1998). Spanish courts became accustomed to directly applying EU law provisions, in accordance with the principles of primacy and direct effect, setting aside domestic rules in case of conflict and developing the well-known doctrine of the Supreme Court (Tribunal Supremo) and the Constitutional Court (Tribunal Constitucional) (Pérez Tremps, 2009; see Chronicles in *REDE*, *RDCE* and *RGDE*). The Spanish Constitutional Court handed down a Declaration on 13 December 2004 (*BOE* num. 3, 4 January 2005; see comments in Rodríguez Iglesias 2005; Cienfuegos 2011, pp. 171-172) which distinguished between primacy of EU law and *supremacy* of the Spanish Constitution: "*Primacy and supremacy are categories which develop at different levels: the former, at the level of the implementation of legal rules; the latter, at the level of the procedures of construction of rules. The supremacy of the Constitution is compatible with a procedural application establishing a preference in favor of rules other than the domestic ones, provided it has a constitutional basis, precisely as in the case of the provision of Article 93 of the Spanish Constitution.*" Let us mention several Supreme Court decisions on EU affairs, as the *Canal Satélite Digital* decision (STS 12 June 2003) on State liability arising out of a breach of EU law in the digital TV decoding market, imposing a high reparation for loss of 26.4 million €, or the "*Basque taxation*" cases (STS 9 December 2004) annulling some fiscal advantages of the Basque Country which had been held by Commission to be discriminatory and incompatible with European competition rules, which was followed by another Supreme Court decision of 12 December 2007

overturning this strict approach under the new and more permissive decision of the ECJ in the *Açores taxation* case (ECJ 6 September 6 2006). It is not rare for the Supreme Court to openly follow the legal reasoning of the ECJ and express itself in equal terms (e.g. in the recent STS 24 June 2009, which reminds of the Schulz-Hoff decision of 20 January 2009: Cienfuegos 2011, p. 172).

Spanish jurisdictions have been especially active in referring questions to the ECJ for *preliminary rulings* (*Judicial Report* of the Activities of the ECJ 2009). Between 1986 and 2010, a total of 222 procedures were brought to Luxembourg (Greece, from a slow beginning, became more active over time after 2006, a total of 145 cases; Portugal brought to the ECJ some 67 cases for preliminary rulings). The figures for some of the longer-standing Member States are as follows: Germany, 1,731 references; Italy, 1007; France, 783; the Netherlands, 743; the UK, 477; and Austria, which was judicially very proactive after 1995, with 348 requests for preliminary ruling.

Spanish infringement procedures based on the former Art. 226 EU Treaty (now Art. 258 TFUE) are permanently open before the ECJ, and Spain is in a *medium position* in relation to other EU Member States, mainly affecting environmental, Internal Market and consumer matters. The ECJ statistics of 2010 (source: ECJ Report, Statistics, p. 85) show that between 2005 and 2009 Spanish infringements examined by the Court were as follows: in 2005, 10 infringements settled, 1 dismissed; in 2006, 10 settled, 1 dismissed; in 2007, 13 settled, 1 dismissed; in 2008, 15 infringements settled, 1 dismissed; and in 2009, 11 infringements settled, none dismissed. From these indicators it is possible to perceive a gap between the stated goals of EU environmental and consumer law and the Spanish implementation on the ground, but also –and what is more important, as we will show in the second part of this paper– a situation of a gap between an apparent willingness for legal Europeanization and a developing *critical mass of bad domestic practices on legal procedures and techniques* for the transposition of Directives, which cannot be justified on grounds of the domestic pluricentric model.

2. - Some Specific Sectoral Issues: Competition, Internal Market, Private International Law

a) Competition Law and Market “Culture”: Its Role on Modernization

At the outset, we choose to focus in this paper on the sector of *competition law* not only because it plays a major role in EU life and the EU’s capacity to bring conformity to structures, institutions and behaviors, but also because, even if competition law contains a “regulation pack” of provisions, Europeanization

under competition patterns implies much more: a complete change –not a formal one– of a country in its habits and market culture.

Today it is beyond any doubt that the Spanish way to an open economy was a long process which started at the end of the fifties with the Stabilization Planning of 1959. It then grew rapidly during the sixties with the opening up of Mediterranean countries to tourism and to a certain degree of economic development, technocratically transforming its old-fashioned, closed economic structures and institutions. It was during this decade –more precisely in 1963– that the first Act on regulation of competition saw the light of day, together with the first Spanish request for accession to the EEC. The Competition Restrictive Practices Act of 1963 (Ley 110/1963) was literally a textual copy of Arts. 85 and 86 of EEC Treaty, to some extent adapted by the Cortes Españolas (Spanish Parliament) so as to set aside any eventual legal impact on a still totally controlled market (Vilà 1979, pp. 319-333). In any case, we can consider it as a sort of purely formal attempt or sign of Europeanization of the old regime.

Once a member of the EC, Spain began a national debate on all economic market regulation, seeking to transform the former “virtual” discipline into a system of market competition; thus, it evolved from the 1963 Act to a true competition regulation Act. It is interesting to note that even though the plan was to simultaneously draft regulations on *free competition* and *unfair competition* (the latter not covered by Arts. 85 and 86 of the EEC Treaty, but linked with other EEC market and consumer regulations) the results were two different sets of rules, the Competition Defense Act of 1989 (Ley 16/1989 de Defensa de la Competencia), and the Unfair Competition Act of 1991 (Ley 3/1991 de Competencia Desleal). Showing a remarkable lack of coherence in approach, the tasks of the technical preparation of these Acts were entrusted respectively to different teams in two Spanish ministries: while the Ministry of Economy dealt with the Competition Defense (free competition) Act under an EEC full legal pattern, the Ministry of Justice drafted the Unfair Competition Act under a typical German legal model, quite inconsistent with the previous act. This shows, in a very important chapter of the Spanish legal Europeanization process, an excess of “virtual” impetus but a lack of technical coordination for this purpose, which was a clear sign of the path Spain followed for carrying out such tasks.

In any case, the Competition Defense Act of 1989 has been an example of an efficient regulation, allowing Spanish institutions to Europeanize the market, to open it and to do away with the Iberian region as the last closed market for internal commercial interests as required under the free internal market for goods, and in that way to benefit from a more open culture of free competition. But the Spanish institutional framework of competition authorities depended on the Ministry of Economy until the creation of a new Comisión Nacional de la Competencia (National Competition Commission or CNC) and the regulations adopted after 2003, implementing in many aspects the EU Regulation 1/2003: the Competition Act 15/2007, the Royal Decree 261/2008 (Regulation on Defense of Com-

petition) and the Act 1/2002 establishing the coordination of the State and Autonomous Communities' Competences on Competition Defense. In fact, the Comisión Nacional de la Competencia is the public agency in charge of preserving, guaranteeing and promoting effective competition in markets at the national level, and procuring consistent application of the Competition Act (*Ley de Defensa de la Competencia* or LDC) through exercise of the functions conferred by the Act, through coordination of the activities of industry regulators and the competent offices of the Autonomous Regions, as well as cooperation with the competent courts. The CNC is now a unique institution independent of the Government, which incorporates the former functions of the Tribunal for Defense of Competition, exercises its functions at a nationwide scale and is related to all markets and sectors of the economy, being the national competition authority integrated to a European-wide scale *Network of authorities* for the application of EU competition law from the Spanish market, and of course at national scale.

Let us say that this process of adopting European habits in competition law implies a clear but flexible process of getting structures and a behavior involved in the market and means a *praeter lege* achievement of Europeanization of the Spanish market culture. It has been slowly transformed over the last 20 years. In this task, the most efficient outcome has been the creation since 2003 of both the Network of National Competition Authorities and the Network of Specialized Judges: the praxis of meeting during the year, and the close interaction between countries and the European Commission. However, at the same time certain limits to Europeanization in the field of competition are appearing, for example, as regards some legal features previously unknown in Spanish or Southern laws, such as *leniency* procedures.

b) Internal Market and Consumer Law: European and Domestic Tests

Since Spain was not a member of the EC until the mid-eighties, acting as a simple observer during the process of revision of the original Treaties, and could only intervene once the Single European Act was adopted and entered into force in 1987, the Internal Market issues and 1992 Agenda were seen as a true challenge to the Spanish government. The task of implementation of the previous "acquis" was fundamentally launched in 1984, with the adoption of the *Ley General de Consumidores y Usuarios*, whose goals were both constitutional and European goals for individuals as consumers. However, the ambitious Delors 1992 program of opening the market, and the legal techniques to do so, was just starting at that moment. The Single European Act moved to a majority voting system for the adoption of IM provisions, without veto, and the common legislative task mainly under the *New Approach* on technical harmonization had to be realized in just five years. Spain took steps at that time to be ready for the required effort. We have chosen three major examples to show its conscientiousness in this re-

gard: the field of toys and general security, the field of consumers, and finally the general Directive on Services in the Internal Market (123/2006).

Internal Market provisions are interesting not only because they have been substantially renewed from the very beginning of the EC, but also because their judicial reviews –after the *Dassonville* (1974) and *Cassis de Dijon* (1979) cases– and their renewed impact on administrative praxis and economic import-export practices have made them a laboratory for the examination of the transposition of Directives. The case of Spain is a very particular case, because the country is a para-federal State whose normative competences are shared by the central State (responsible *ad extra* before the EU and other Member States) and sub-state unities, the Autonomous Communities, or at least a member of them.

The Council Directive 88/378/EEC of 3 May 1988 on the approximation of the laws of the Member States concerning the *safety of toys*, modified by Directive 93/68/CEE of 22 July 1993 were quickly transposed by the Spanish government under the form of delegated law by means of the Real Decreto 880/1990 of 29 June 1990, approving these safety rules, modified by the Real Decreto 204/1995 of 10 February 1995. This was one of the new approaches proposed by the Delors Commission, a testing regulation on the safety conditions for European products – a matter on which the EC had been unable to establish a regulation before the *Cassis de Dijon* case. The EC had then to regulate not on products as a whole, but on their safety, or on the interoperability (only the essential conditions) of products, going ahead and unblocking the Internal Market on the basis of the new qualified majority of Art. 100 A 4 EEC Treaty. Once the safety of a specific product had been regulated, the general safety of products was ready to be regulated under a more horizontal, mainstream technique on the same basis: Directive 2001/95/EC of the European Parliament and of the Council of 3 December 2001 on general product safety (the second, updated one), which was once more transposed in time by the Real Decreto 1801 of 26 December 2003.

What about *consumer law*? The Spanish general consumer regulation, dating from 1984, soon revealed itself as too wide and old-fashioned. The Council Directive 85/374/EEC of 25 July 1985 on the approximation of the laws, regulations and administrative provisions of the Member States concerning liability for defective products was transposed in Spanish law by the *Ley de Responsabilidad por los Daños Causados por Productos Defectuosos* (Ley 22/1994) and by the Real Decreto Legislativo 1/2007 of 16 November 2007, approving the modification of the Ley General para la Defensa de los Consumidores y Usuarios of 1984. That Act was also indirectly but substantially modified by another European provision in this field, the Directive on Unfair Terms 93/13 of 5 April 1993, which was transposed very late and with a bad technique by the Ley 7/98 of 13 April 1998, on *Condiciones Generales de la Contratación* (General Contractual Conditions) and by the Ley 44/2006 of 20 December 2006, de *Mejora de la protección de los consumidores y usuarios* (Consumer Protection Law). Finally, Council Directive 85/577/EEC of 20 December 1985 to protect the consumer in

respect of contracts negotiated away from business premises was properly transposed by the Spanish Ley 26/91 of 21 November 1991, *sobre contratos celebrados fuera de los establecimientos mercantiles*.

Even if becoming a member of the European Union did not suppose for Spain –under Article 93 of the Constitution– any change on *how to act* by legislative powers, it is also true that, particularly in the large field of the Internal Market, cooperation between administrations, both central and peripheral, was seen as a necessary tool in order to effectively transpose a high number of Directives. The European origin of laws concerning the Internal Market accounts for more than 30% of the normal legislative activity of the Cortes Generales (Spanish Parliament), and usually the first step of the transposition procedure consists in a draft act coming from the Spanish government. But quite often the development and final legal implementation procedures clearly need the participation of the Autonomous Communities –either on account of their own competences, or of transferred competences–, and sometimes even local administrations.

A spectacular case can be seen in the field of free provision of services, with the recent Ley 25/2009, *Ley Omnibus*, of 22 December 2009, for the modification and adjustment of several acts (a total of more than 300, including local public administrations and their acts!), transposing the EU Directive 123/2006 on Services in the internal market. This internal law shows an *apparently positive will* for a technically immense adaptation to the European required performance in services (a very long and inconsistent logistic body of provisions) by a *wide domestic umbrella* of rules, probably unnecessary, based on a misunderstanding of the final goals to be achieved, and radically disproportionate to the task, which was to turn into a transparent public and private market culture.

Just a word (for a general official overview of questions see *Informe del Consejo de Estado* 2008) on some “half” successful formulas invented *inwards*, looking at the implementation of EU law after the very first experience:

1) The Law 8/1994 of 19 May 1994, which instituted a Joint Commission for the EU establishing a system of proximity for the monitoring, agenda and parliamentary discussion of EU affairs, and the immediate presentation by the government after European Councils. However, this Joint Commission is not a permanent *legislative commission* of the Parliament, leaving part of this work out of its functions.

2) For the purposes of coordinating both the *bottom-up* and the *top-down* participation of Spanish sub-state entities in EU affairs, Spain adopted since the 90’s a system of multiple *Sectorial Conferences* (important in fields like Health or Fiscal and Financial Policies, virtual in other: Cienfuegos 2011) and a sole *General Conference* (CARCE from 1997, now CARUE, whose regulation was modified in April 2010 for a better general coordination) for *Affairs Related to the European Union*, which was able to generate several good practices. Moreover, in 1996 a permanent *Consejería* for Autonomic Affairs was created in Brussels, at

the Spanish REPER, consisting of two high profile representatives of this composed system.

c) Private International Law: Interconnected Uniform Regulations

The status of Private International law in EU law has substantially changed from the original Rome Treaty, where article 220 only offered the possibility to conclude European Conventions on very strict legal grounds, in the fields of conflict of jurisdictions or recognition of judicial EC foreign resolutions. The general clauses of articles 61 and 65 of the Amsterdam Treaty, based on the previous successful experience in civil judicial cooperation of the *Brussels Convention on jurisdiction and recognition of foreign resolutions* of 19 September 1968 – where a compact body of legal decisions of the ECJ was built– were amended so as to cover the typical Private International law issues: conflict of jurisdictions, recognition, conflict of laws, together with other possible common actions in the field of civil cooperation, in the framework of former Title IV, instituting an Area of Freedom, Security and Justice. We should point out that previously, in 1985, Spain tried to adjust its general domestic procedural grounds of jurisdiction (Ley Orgánica de Poder Judicial of 2 July 1985) to the Brussels Convention of 1968, adapting its general criteria in a sort of pre-accession Europeanization. However, an error occurred and, once again, the adjustment had to be made by a “domestic system” of *corrections of errors* about two months later...

Anyway, the task of recent Europeanization of PrIL has been a large success, and nowadays fifteen regulations –i.e., uniform sets of rules– have been adopted in this sensitive field, in which *domestic disparity of laws and procedures* in the private sector is well-known and causes a certain number of limitations in fundamental rights. The Spanish cooperation during the task has been, and still is, remarkable: for instance, Spanish academics have been Reporters of the proposals of these regulations (Prof. A. Borràs, Proposal on the Brussels II Regulation), or acted as authors of the *European Judicial Atlas* of the European Commission Directorate for Justice and Home affairs (Prof. J.J. Álvarez), and Spanish academic and civil teams have also reacted to the legal discussion launched by the Green Papers presented by the Commission, showing a very large involvement in these issues. On the other hand, the European Union has signed a substantial agreement with the *Hague Conference on Private International Law* so as to accede as a party to this forum by Council Decision 2006/719/EC of 5 October 2006. This issue is of high relevance in considering EU matters as falling within the scope of its external competences (e.g., Family Law), especially under Lisbon Treaty rules.

Between 2001 and 2010, under the new provisions of the Amsterdam and Lisbon Treaties (now Title V of the TFEU), the rules enacted so as to try and reduce the disparities between Member States for the purposes of European civil judicial cooperation, in force in Spain, are the following:

- Council Regulation (EC) No 1346/2000 of 29 May 2000 on *insolvency proceedings*, which was *praeter legem* a pattern for the new Spanish bankruptcy and insolvency modernized rules established by the Bankruptcy Act 22/2003 of 9 July 2003. It should be noted that in this case the team of Spanish negotiators of the PrIL EU Regulation were also the technical authors of the domestic proposal.
- Council Regulation (EC) No 44/2001 of 22 December 2000 (“Brussels I”) on *jurisdiction and the recognition and enforcement of judgments in civil and commercial matters*, the first, largest and most relevant one, succeeding the former *1968 Brussels Convention*, which bears its own heritage of a rich doctrine based on ECJ previous decisions.
- Council Regulation (EC) No. 1206/2001 of 28 May 2001 on cooperation between the courts of the Member States in the *taking of evidence* in civil or commercial matters.
- Council Directive 2002/8/EC of 27 January 2003, improving access to justice in cross-border disputes by establishing minimum common rules relating to legal aid for such disputes, transposed by the Ley 16/2005, modifying the *Ley 1/1996 de asistencia jurídica gratuita*.
- Council Regulation (EC) No 2201/2003 of 27 November 2003 (“Brussels II”) *concerning jurisdiction and the recognition and enforcement of judgments in matrimonial matters and the matters of parental responsibility*, repealing Regulation (EC) No 1347/2000.
- Regulation (EC) No 805/2004 of the European Parliament and the Council of 21 April 2004 creating a *European Enforcement Order for uncontested claims*.
- Regulation (EC) No 1896/2006 of the European Parliament and of the Council of 12 December 2006 creating a *European order for payment procedure*.
- Regulation (EC) No 861/2007 of the European Parliament and the Council of 11 July 2007 establishing a *European Small Claims Procedure*.
- Regulation (EC) No 864/2007 of the European Parliament and the Council of 11 July 2007 on the *law applicable to non-contractual obligations* (“Rome II”).
- Regulation (EC) No 1393/2007 of the European Parliament and of the Council of 13 November 2007 on the *service in the Member States of judicial and extrajudicial documents in civil or commercial matters* (service of documents), repealing Council Regulation (EC) No 1348/2000.
- Directive 2008/52/EC of the European Parliament and of the Council of 21 May 2008 on certain aspects of mediation in civil and commercial matters.
- Regulation (EC) No 593/2008 of the European Parliament and the Council of 17 June 2008 on the law applicable to contractual obligations (“Rome I”).
- Council Regulation (EC) No 4/2009 of 18 December 2008 on *jurisdiction, applicable law, recognition and enforcement of decisions and cooperation in matters relating to maintenance obligations*.
- Regulation (EC) No 662/2009 of the European Parliament and the Council of 13 July 2009 establishing a procedure for the *negotiation and conclusion of*

agreements between Member States and third countries on particular matters concerning the law applicable to contractual and non-contractual obligations.

– Council Regulation (EC) No 664/2009 of 7 July 2009 establishing a procedure for the *negotiation and conclusion of agreements between Member States and third countries concerning jurisdiction, recognition and enforcement of judgments and decisions in matrimonial matters, matters of parental responsibility and matters relating to maintenance obligations, and the law applicable to matters relating to maintenance obligations.*

– Finally, Council Regulation (EU) No 1259/2010 was adopted in 20 December 2010, in order to implement, for the first time in this field, after locked negotiations during previous years, an *enhanced cooperation* between fifteen Member States (among which Spain) in the area of the *law applicable to divorce and legal separation.*

What has been the European lesson in this *large and differentiated* (between domestic legal orders and procedures, and before usual sectors of EU law) field of Private International law? Authors say (Tulibacka 2009) that the Europeanization of civil procedures has very ambitious aims if we compare it with the more timid goals retained by the original legal sources, which merely referred to simplifying the functioning of the Internal Market and improving the enforcement of EU law. Even if the most frequent instruments have been Regulations (there are only two Directives), which are *per se* uniform tools, the high level of legal disparity and diversity requires the bringing together of at least four *critical mass* sectors of Pr IL:

- a) Jurisdiction; recognition of judgments – as a partial reflection of the Internal Market rule of mutual recognition, general or sectorial (civil/commercial judgments; insolvency; marriage/parental responsibility; maintenance; divorce).
- b) Several elements of procedure, mostly concerning fundamental rights like the *right to a fair trial* and public policy; transnational service of documents; evidence.
- c) Conflict of laws, the most decisive subsisting *legal disparity on substantial rules* and economic *contractual and non contractual* answers. Also matters of the former Rome Convention of 19 June 1980, probably the most interesting European new conventional instrument in the 80's (now “Rome I” Regulation, preceded by the “Rome II” Regulation on Torts)
- d) Finally, some unified pieces on true European common procedures when critical economic mass is rather low, and the interest in simplified cross-border procedures is rather high.

In fact, even with Regulations as a general legal instrument in this field, a high degree of substantial and procedural diversity subsists. However, the logics of this broad field of Private International Law issues have to be consolidated with the logics of the Internal Market rules and patterns. Procedures and families of legal systems remain deeply based on domestic grounds, while the fully *com-*

mon rules contained in the above-mentioned EU Regulations only try to reach an agreement in some *universal criteria* –rather than changing domestic substantial private law–, in order to implement the principles of justice and legal security in cross-border European private cases.

Some Methodological Conclusions Applicable to the Spanish Case

Some conclusions can be drawn on Spain’s experience in the legal field after 25 years of Spanish EU membership. First of all, Spain has been not only a *convinced* member of the European Union, but a true Laboratory where *Diversity* has been experienced.

Secondly, the legal added value of European Membership has not been a “*quantitative*” issue (in terms of transposition) but a *qualitative* one, nor a problem of better choice of the needed legal instrument (regulation vs. Directive, etc.). “Add value” means here the *right capacity of creating and using these new playing fields* for all Member States - or for “enforcing cooperative” Member States- through different possible dialectic processes.

Finally, Spain’ Laboratory of Diversity and of European engagement has added new arenas for its own Multilevel Governance experience, as well as new ideas (in issues such as social cohesion, gender, family law, citizenship, or citizen’s legislative initiative) *challenging the limits* of an efficient “management of diversity”, which can be useful in the construction of a European legal model.

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The Making of Immigration Policies in Spain 1985-2010¹

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Abstract

The paper examines the complex web of economic interests, ideological preferences, administrative and normative resources and international pressures coming from the EU or other member States, which has produced the ambiguous Spanish immigration policies of the last decades. Special attention is devoted to the management of migratory flows, to irregularity as the most common way of immigrants' entry in the country, and to European demands of frontier control. The policy game involved in the EU-Spain relationship around irregular migration coming from Africa is analyzed. The paper provides the main data which feature the nature and impact of this migration in Spain, the European country which has received the biggest number of immigrants during the last decade.

Introduction: the Unplanned Social Change

When Spain joined the EEC it was still a country of emigration, foreigners were scarce and immigration was politically irrelevant. Immigrants were mostly retired Western Europeans living in the Mediterranean coasts to which some thousands of political refugees from Latin American countries should be added. In all, 200,000 people made up less than 0.5% of the population. As a result, the first Law on Foreigners enacted in 1985² was not directed to order the flow of immigration; in fact, this was not even an issue. Rather, the idea behind the law was to ease the concerns of countries in central and northern Europe about the possibility that new members of the European Community might become an

¹This paper benefits from the information gathered during the development of the research project SEJ2005-04193/CPOL (financed by the Spanish CICYT) and the late interviews conducted during the drafting of the Royal Institute Elcano Report on Immigration (González 2010).

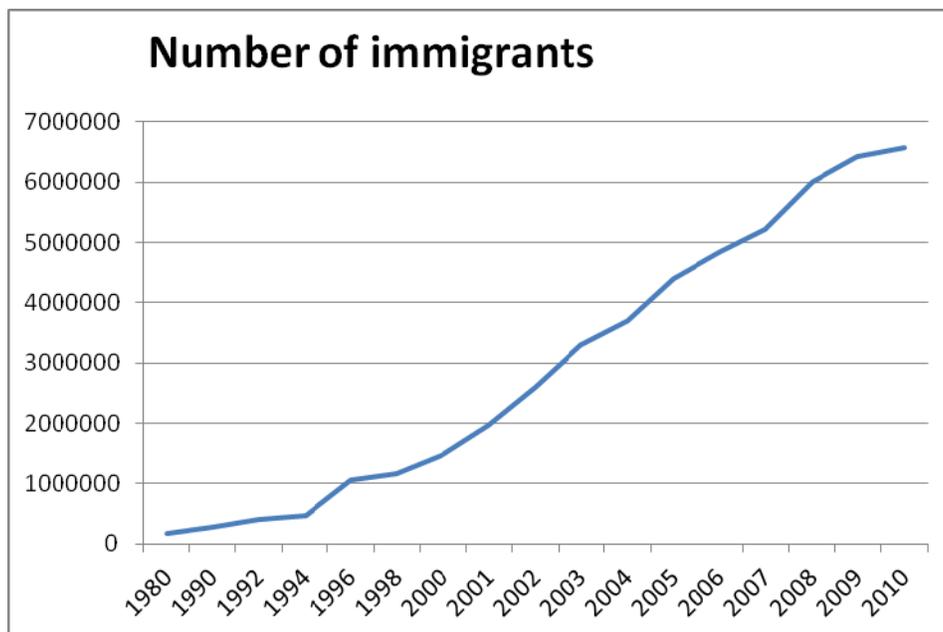
²Organic Law on Rights and Freedoms of Foreigners, 5/85

entry point for undocumented immigrants, particularly Spain, Greece and Portugal. With that goal in mind, a law was devised that was basically restrictive in nature, establishing mechanisms for imposing sanctions against irregular immigrants, and making it very difficult to get into Spain through legal channels and renew stay permits. It ruled out, for instance, family reunification, and made no provision for a permanent residency permit (Aja 2006). The law was passed without discussions and its only publicly marked effect, and an undesired one at that, took place in the Spanish cities of Ceuta and Melilla in North Africa: one-third of their population was of Moroccan origin, a circumstance that lawmakers were not aware of when the bill was drafted. The law thus turned them into undocumented immigrants, even though most of them were born in the Spanish cities, triggering fierce protests and demands of nationalization which led to the opening of a special process of access to citizenship in both towns.

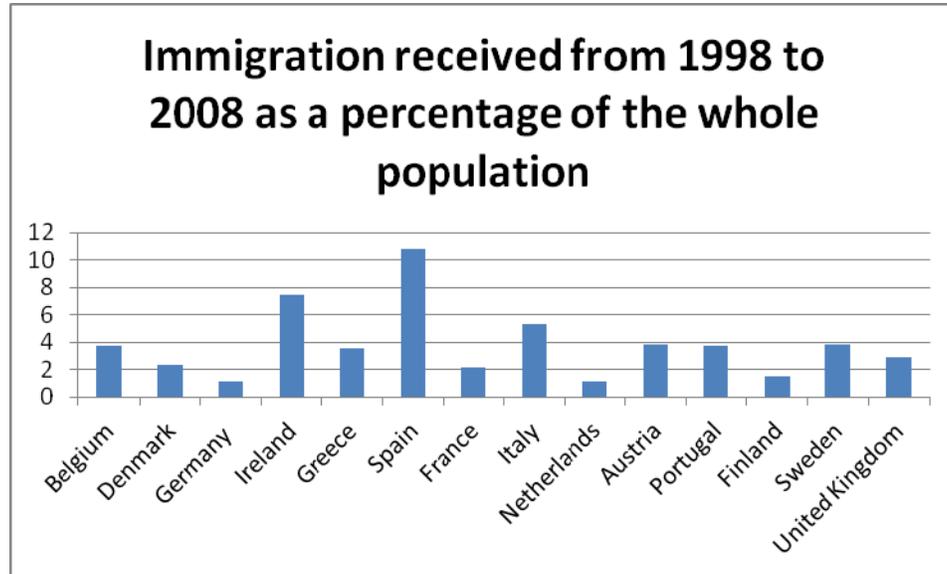
The economic growth which followed the entry into the European Union fueled the beginning of labor immigration in the late 1980s, mainly devoted to agricultural labor in the Mediterranean arc, but this immigration only became a socially perceived and relevant phenomenon during the late nineties. In a similar evolution to that experienced by other South European countries like Greece and Italy, immigration arrived as the result of several demographic and economic changes, notably the decline of the fertility rate and the increasing of the educational level of new generations, their movement towards qualified jobs and the consequent appearing of a non-satisfied labor demand in work intensive sectors such as agriculture, construction, trade, domestic help or restoration. Since the beginning of the eighties, while North and Central European countries kept their doors closed to labor immigration, a new immigration wave directed towards Southern Europe, where it found a very different economic and political framework: employment in small enterprises and families, instead of the big industrial companies that featured the main demand for migrated labor in the Sixties in Central and Northern countries, and irregularity in the entry or the stay and informal employment as common stages in immigrants lives. In highly segmented labor markets, immigrants occupied and still occupy the worst positions, not only regarding salaries and work conditions, but also in terms of instability and lack of Social Security protection.

During the decades of the 1990s and 2000s, South Europe and especially Spain became the main destiny of new migration in the EU. According to Eurostat data, Italy and Spain received 56% of total EU immigration that arrived during the period 1997-2008, while Spain alone received 50% of the total during the past decade, 2000-2009. In comparative terms the effect of this migration is bigger in Spain than in Italy as the size of the native population is much smaller. In all, Spain received more than 5 million new migrants (i.e. net migration) during the 2000s, over a population of 40 million at the beginning of the period in a process of unknown intensity in Europe. From being 0.5% of the population in 1985, the number of immigrants amounted to 14% in 2010.

The economic crisis made evident in 2008 has not stopped the constant increase of immigration, but has just caused a slowdown of its growth rate. This fast and massive immigration has constituted the major social change experienced in the country since the decade of 1960, when industrialization, urbanization and inner migration transformed the demographic landscape. Immigration has provoked relevant impacts in almost all realms of economic and social life: in the labor market, in the housing market, in the social life of the municipalities and districts where immigrants have concentrated, in all kind of public services, education, transport, postal services, health, etc. Immigration has also become an important issue in the political field as the electoral competition and immigrants themselves have turned into political subjects.



Source: National Institute of Statistics; Own drafting; Immigrants are defined here as foreign-born.



Source: Eurostat; Own drafting

There are various factors that help explain why Spain has been so attractive to immigrants over these years: firstly, a strong and relatively vibrant informal economy in which irregular migrants could find employment; secondly, the relatively positive social attitudes towards immigrants, compared with other European countries; thirdly, the traditional tolerance towards illegality embedded in Southern European political culture; and finally, the provision of social rights for irregular immigrants in Spanish law.

Migration to Spain has concentrated in the sectors which feed the underground economy, whose weight in the gross domestic product is estimated to be around 20 percent (Schneider 2009; Alañón & Gómez 2003), one of the largest in the EU-15 after Greece and Italy and on the same level with Portugal.³ The “construction bubble” which has constituted the most important engine of economic growth during the 2000s and the most outstanding refuge of “black money”, would not have been possible without the supply of a cheap and abundant immigrant labor force. As for public opinion, at the beginning of the period of most intense arrival of immigrants, Spaniards’ attitudes towards foreigners were exceptionally positive:

Table 1: Refusal to the coexistence with people of different nationality, race or religion

³See Friedrich Schneider “The Size of the Shadow Economy in 21 OECD Countries” http://www.econ.jku.at/members/Schneider/files/publications/ShadowEconomy21OECD_2009.pdf

Do you personally find disturbing the presence of people of another nationality, race or religion? Percentage who find it disturbing.			
	Other nationality	Other race	Other religion
Greece	38	27	31
Denmark	24	24	26
Belgium	20	23	21
Ireland	17	20	17
United Kingdom	17	19	17
Netherlands	17	17	17
Germany	16	16	13
France	16	14	12
Austria	15	14	12
Italy	11	11	10
Sweden	11	11	10
Luxemburg	9	11	8
Portugal	9	10	8
Finland	8	9	8
Spain	4	5	6

Source: Eurobarometer EB 53 and European Monitoring Centre on Racism and Xenophobia. 2000

Although this exceptionality has gradually disappeared throughout the last decade, it constituted a strong electoral base for tolerant and permissive migration policies when the first serious attempt to order immigration was made in the year 2000 (Law on Foreigners 4 and 8/2000). Since that year irregular migrants have enjoyed free access to the public health and educational systems under the same conditions as Spaniards and regular migrants, with the only condition that they register with local authorities. This free access has become another important factor of attraction together with the lack, or weakness of internal controls over irregular migrants or irregular labor.

The following are main features of Spanish immigration during the past two decades:

1. In contrast with the situation in Northern and Central European countries, where most immigrants arrive as asylum seekers or family members of previously established migrants, immigration to Spain has been led by the opportunity of finding a job. Asylum forms a statistically irrelevant way of entry. From 2000 to 2008 Spain has granted protection to only 3,500 asylum seekers, around 7% of applications; this percentage of positive answers is much smaller than the Euro-

pean average (23%)⁴. On the other hand, Spain receives much less applications than the average European country, probably because would-be refugees decide to apply in other countries. In the meantime, as irregular immigration has been a relatively open door along the decade, an interchange between immigration and asylum has evolved, and potential asylum seekers have found in irregular migration an easier way of entry. Family regrouping has also had a minor role in the migration flow due to the short period most immigrants have spent in the country, but it is growing and will probably account for the bulk of arrivals in the coming years. Immigrants have found jobs mainly in the sectors of construction, domestic service, retail trade, catering, personal services and agriculture, where they have occupied the lowest posts. Very few of them have been able to escalate the occupational ladder and most have moved only among the first steps (Garrido and Miyar 2008, Pajares 2008, 2009 and 2010).

2. Immigrants are young and low qualified. The age distribution of immigrant population concentrates between 20 and 40 years, much younger than the native one, and it is sexually equilibrated (although women are scarce among African immigrants). The level of education is low, especially among African immigrants, a group composed mainly by Moroccans. Illiteracy is common among females in this last collective.

%	Native	EU14	Rest of Europe	Latin America	Africa
Primary or less	11	12	13	19	54
Secondary initial	29	16	14	19	17
Secondary advanced	35	33	55	46	24
University	26	39	17	15	5

Source: Encuesta de Población Activa, average 2007. People between 20 and 44 years old

3. Latin Americans form the bulk of the immigrant population: In 2010 they accounted for 58% of extra-community foreign residents. Immigration from Latin American countries has been favored by a particularly friendly legal and political frame, an institutional legacy of the Spanish historical presence in the area. As a result, while immigrants coming from any other area of the world are required to

⁴ Own calculation based on the data provided by CEAR (several years).

have a minimum of ten years of legal stay before applying for naturalization⁵, those coming from Latin America can apply after two years of stay. As a matter of fact, they can achieve nationality even before arriving to the status of permanent residency, which is attainable after five years of stay. Furthermore, Latin American nationals have been exempted from the visa requirement which has been applied to those countries from where important influx of irregular immigrants was detected, an exemption which has prompted irregular migration. Only when the data on irregular immigrants and their origins achieved shocking numbers, the institutional pressure towards rationalizing the immigration process was able to overcome the domestic and international resistance against the imposition of visas. In the 2000 decade Spain became the second most important destiny country for Latin American immigrants, after the USA, and the first ever country in the European Union whose immigration is mainly composed of Hispanics.

Table 3. Origin of foreign born population. Groups with more than 100,000 persons. Year 2009	
	Thousands
Romania	760,7
Morocco	732,0
Ecuador	471,4
Colombia	354,9
United Kingdom	378,2
Argentina	293,2
Bolivia	226,0
Germany	246,0*
France	226,5*
Peru	186,1
Bulgaria	159,7
Venezuela	151,0
Brasil	152,2
Portugal	147,7
China	144,6
Dominican Rep.	126,4

Source: National Institute of Statistics .Own drafting

* Roughly half of these immigrants born in France or Germany are descendant of Spanish migrants

⁵ Sephardic Jews and nationals of Andorra, Philippines and Equatorial Guinea benefit too from the exclusion of the norm which requires 10 years of legal stay in order to apply for naturalization.

The Development of Spanish Immigration Policy

Economic growth stimulated by accession to the European Economic Community created new job opportunities that served as a magnet for immigrants who found that they could only work illegally⁶, as the 1985 Law on Foreigners did not provide legal and realistic mechanisms to labor immigration. The special amnesty, or regularization, decreed by the government in 1991 which granted residency papers to 112,000 foreigners (Izquierdo 1996) was the response to this lack of legal channels for immigration and became the model to emulate in the future. From 1985 to 1998, when a new immigration law was proposed, the foreign population increased by some 500,000, half of them non-Europeans. Most arrived as bogus tourists from Latin America and worked without a permit in what became the most common way for immigrants to enter the country.

Another large segment of Spain's immigrant laborers during the late Eighties and Nineties was formed by Moroccans who entered illegally after traveling in small boats (called *pateras*) across the Strait of Gibraltar, just 15 kilometers wide at its narrowest point, taking advantage of what was then a poorly policed maritime border. During the decade of 1990 the bulk of Moroccan immigrants concentrated in Catalonia where they had a hard time integrating. Catalan nationalists were very sensitive to this difficulty as they saw immigration as a new and powerful threat to the Catalan identity, which they perceived as already under pressure from earlier migration from within Spain in the 1960s and 70s. These worries among Catalan nationalists were at the heart of a proposal to amend the law governing foreign residents. The proposal was submitted to Parliament in 1998 by the CiU (Convergència i Unió, the main Catalan nationalist party) who criticized the 1985 law on grounds that it made it hard for immigrants to integrate due to their lack of social rights. Back then in 1998, when CiU presented this bill no one foresaw the huge rise in immigration that was to come years later. At the time, statistics showed only 700,000 foreign-born people living in Spain. The goal of CiU and other parties (the Socialist Party later submitted its own bill) was to facilitate the integration of the immigrants. Regulating future migratory flows was at best a secondary concern; for this reason, the debate focused on the rights of irregular immigrants whose number was unknown and underestimated.

The bill evolved in a peculiar way. The ruling party, the center-right Popular Party had never held an internal debate on immigration and had no common position on it. Within the government itself, there were two opposing views. The interior Ministry was concerned about controlling illegal

⁶The Law stipulated that foreigners could migrate to Spain legally only with a job offer which allowed them to apply for a visa in their country of origin. But the system was inappropriate for most employers, which did not have contacts in the origin countries of immigrants, while Spanish consulates did not offer the services to handle such demands.

immigration, while the Labor Ministry was more interested in facilitating the life and work conditions of immigrants. Meanwhile, the Finance Ministry warned that the Spanish economy needed immigrants. In fact these differing approaches to immigration have always remained present in the three ministries, whether it was the center-right or center-left in power.

While the law slowly made its way through the legislature⁷, the prevailing sentiment in the Spanish media was one of compassion toward immigrants. NGOs were prominent in public debate on the issue and surveys showed Spaniards held positive attitudes towards immigrants. All of this made for an atmosphere in which those with reservations about immigration were wary of expressing them in public. This pressure also affected the Popular Party. Its internal debates on the effects of granting broad social rights to irregular immigrants were never made public. In the law, the granting of social rights to irregular foreigners was accompanied by a procedure under which they could obtain stay permit after living in the country for two years. In doing so legislators made the implicit admission that the State was unable to avoid irregular immigration. They set up mechanisms to make life easier for undocumented foreigners while at the same time offering them the prospect of near regularization.

As for other issues, the law corrected some of the main defects of its predecessor of 1985; it granted the right to family reunification and introduced the concept of a permanent residency and work permit; it also reduced the state's discretionary powers in renewing permits and in expulsion procedures and enhanced immigrants' legal guarantees and declared their integration into Spanish society to be a goal of the State at the national, regional and local levels (Aja 2006). When the law was about to be approved, some members of the Popular Party-run government became alarmed over what they saw as a diminishing of the State's ability to control immigration, and the party tried to obstruct the approval, but it did not hold majority in the Congress and the law passed against its will.

When shortly afterwards the 2000 March general elections granted the PP a comfortable majority, it presented a reformed version of the Law which curtailed some immigrants' rights. This second look at the Law marked the first time in which immigration emerged as a major issue for the Spanish public, with extensive media coverage, pressure from NGOs, associations of immigrants, trade unions, legal experts and the Catholic Church. However, for several months the debate centered on secondary issues, such as undocumented immigrants' rights to hold demonstrations, form associations and unions and go on strike (not very relevant for those who cannot legally stay nor work). Meanwhile, other more substantial changes in the reformed law did not attract public attention, such as the extension from two years to five of the period

⁷ The first proposal was presented in March 1998 and the law passed in January 2000.

irregular migrants had to spend in order to regularize, or the restoration of expulsion as punishment for irregular staying (Law 4/2000 had done away with this).

During years 1999 and 2000, when discussions were held on the first and second Laws on Foreigners, one of the government's priorities was to limit public spending. This ruled out designing mechanisms to select and hire immigrants while they were still in their home countries, as this procedure would require significant investments. The only legal tool, known as the General Regime, only worked for large companies that could undertake contacts overseas on their own. Spanish Foreign Service is quite modest compared to that of countries of similar economic weight, and a big injection of staff and resources in Spanish consulates would have been needed to advertise, manage and fill the job openings for foreigners that emerged. Furthermore, in terms of balance between the demands of the labor market and the arrival of immigrants, if it occurred spontaneously with no need for the State to intervene as an intermediary, as seemed to be happening, why set aside ever-scarce resources to something which the law of supply and demand could fix on its own? In the end, what was being offered implicitly was the lowest-cost solution: allow immigrants to come in irregularly, as bogus tourists, and then regularize them after they have lived in the country for few years, either through the normal procedure or a special amnesty. In the meantime, in order to make their lives easier and prevent problems relating to public health or public order, irregular immigrants would be granted health care and schooling for their children. What thus emerged was a "cheap model" (Martin 2008) for managing migratory flows, a model that was the result of several historical and ideological elements as well of material interests. It was also the model inherited from the earlier period, the decades of 1980 and 1990.

The experience of the 1990s did not help Spain anticipate the coming boom in immigration (Graphic I). In the 1990s, Spain's immigrant community increased at the rate of about 100,000 people a year but in the next decade it shot up to an average of 560,000 a year. As for ideological and pragmatic concerns, the preeminence of public discourse that expressed compassion and solidarity toward immigrants turned out to be functional with demand for workers in sectors that Spaniards had abandoned, such as domestic help, elder care, construction, farming, retail trade and catering; if the State declined to regulate the hiring of immigrants at the source, then why not facilitate legal arrivals by instituting, say, a job-searching visa? The first reason, already mentioned, is the Central and North European pressure on Southern countries belonging to Schengen space (Spain belongs to it since 1991) to avoid the arrival of immigrants who could use their territories as a gateway into Northern countries of the border-check-free group. Besides this outside pressure, a domestic fear of an "avalanche" of immigrants existed, not often expressed in public but still undoubtedly present, among part of Spain's political elite and society. Only

Convergència i Unió, the Catalan nationalist party, dared as far back as 2000 to say it was concerned, wondering what such inflows would do to the Catalan identity, but that fear also existed in the Popular Party and in part of the Socialist Party, the trade unions and public opinion in general.

In the nearly year-long period that transpired between the passage of Law 4/2000 (the first immigration law, approved in January of that year) and Law 8/2000 (approved in December of the same year) two major events took place which had a significant effect on public opinion: in February, in the town of El Ejido (Almería, on the southern Mediterranean coast), which lives off high-tech greenhouse farming using abundant Moroccan manpower, locals attacked Moroccan immigrants. The assault lasted several days, and left more than 100 people injured and many homes and stores destroyed. It was triggered by three killings earlier committed by Moroccans, but reflected bad blood that had accumulated during years of minor conflicts between locals and Moroccans. The attack in El Ejido was widely condemned by all Spanish media, intellectuals and politicians in the rest of Spain, but beyond that it left Spaniards worried about relations between locals and immigrants. This was an issue that had not been raised until then, except for a much more minor incident in Catalonia. The second big event was that the regularization process provided for an additional provision in Law 4/2000, available to those who had been in Spain since June 1, 1999. The number of people who applied far exceeded all expectations. According to news reports, the government expected some 80,000 to 100,000 immigrants to come forward, but 244,000 applied (and 188,000 were accepted).

A few weeks after the passage of the second immigration law, a dramatic event showed the inefficiency of Spain's migration policy, the high volume of irregular immigrants and the power of the business sector. In January 2001, in Lorca (Murcia), a train ran over a van taking undocumented Ecuadorian immigrants to work on a farm, killing 12 of them. In the wake of the accident, Spanish media showed how the farm-intensive southeast of Spain had become a flagrant and open market for thousands of foreign workers who had no work permits. The scandal caused by photos and footage of undocumented workers standing in village squares waiting for someone to come up and offer them day work forced the government to act and enforce the law. Inspections in the farming areas of the southeast increased, even as farmers claimed the only workers available were irregulars, and they rallied in favor of the colleague arrested for hiring the ones who had died in the accident. In response to pressure from some 4,000 farmers and sympathy toward Ecuadorians in the wake of the accident, the government came up with a plan to grant permits specifically to Ecuadorians. It would force them to go back home so they could later return to Spain with a work permit, while the government would pay for the trip. The plan was manifestly unreasonable, and it was abandoned. Instead, there was a targeted regularization that granted papers to some 24,000 Ecuadorians (González-Enríquez 2006).

When the regularization process of 2000 was ended, immigrants who did not manage to become legal staged protests, waging sit-ins at churches, with the support of NGOs, trade unions and the Catholic hierarchy. This prompted the government to again offer regularization in 2001, this one based on “*arraigo*” (rootedness). A total of 339,000 applications were presented and 158,000 were accepted. Once again, the number of applications surprised Spanish society. It was stunned that in the space of just one year so many new undocumented foreigners had accumulated, leaders of the Popular Party began to suspect that these amnesties were attracting more foreigners. The government declared that it would not stage any more general regularization but at the same time it retained in the Implementation Rules of the Foreigners Law⁸ an individual legalization mechanism. On the other hand, the government did not provide efficient channels that would facilitate legal immigration in the future. In order to do this, it would not only have had to improve its overseas services but also the national employment service, whose intermediation in the labor market is weak. From 2002 to 2004, the only instrument for promoting legal immigration was the *contingente*, a quota for hiring foreigners in their native countries. It was calculated through yearly agreements between the central and regional governments, with assistance from unions and business associations (Aparicio and Roig 2006), but it offered only 20,000 to 30,000 jobs per year, when more than 600,000 immigrants arrived in Spain each year during that period.

In 2003, feelings about immigration, both among the broad society and the main political parties, had changed, and concerns over illegal immigration and public safety became a central issue. Spanish media carried more and more stories about irregular immigrants, and crime committed by foreigners was on the rise, especially crime by violent organized gangs from Eastern Europe and Colombia. News also emerged about violent young Latino street gangs. The September 11, 2001, terrorist attacks in the United States had a negative effect on the way Spaniards perceived Moroccan immigrants, who at the time were the largest single national immigrant group in the country. It was in this context that the ruling Popular Party and the main opposition group, the Socialist party, agreed to modify the Law on Foreigners and the Penal Code with some restrictive measures devoted to facilitate the fight against irregular migration. These changes to the Law on Foreigners were approved in November 2003, just months before the general elections scheduled for March 2004.

During the electoral campaign, immigration was a secondary issue at best because the two main parties perceived it as too sensitive from an electoral standpoint. They feared losing votes to the right (by expressing a pro-immigrant message) or to the left (with a restrictive one). In fact, in its electoral platform, the Socialist party did not include regularization for undocumented foreigners that it did propose shortly after winning the 2004 elections. This new

⁸Royal Decree 864/2001 of 20 July.

regularization, which Socialist government labeled “normalization”, was announced in August 2004 and was presented as a measure to address Spain’s huge underground economy. The proposal was to let thousands of workers who got paid under the table, without contributing into the Social Security system, come forward and have both them and their employers contribute to the system. There was also a promise of a substantial increase in workplace inspections, the lack of which made it possible for so many people to work irregularly. The “normalization” process required immigrants to present a job offer and pay Social Security fees.

The process of regularization was carried out in early 2005. Nearly 700,000 applications were received, of which 578,000 were accepted. In the end, 550,000 new workers signed up to pay into the Social Security system. The result was seen as a success because it brought a part of the underground economy out into the open, and the government defended the process firmly in the face of criticism from other European countries, mainly France, and from the European Commission. Within Spain, the Popular Party was vehemently against the measure, arguing that it amounted to a reward for “trafficking and smuggling” networks and would lure more undocumented foreigners to Spain.

In order to ensure that immigration that kept coming in did so legally, the new Implementation rules provided for a mechanism that was more realistic than the previous “*contingente*,” the list of hard-to-fill job openings (the “*catálogo*”). The list is prepared quarterly for each Spanish province with information provided by Autonomous Communities and the state job-placement service, the National Employment Institute (INEM). This model emphasizes hiring immigrants in their own country, and it is more accurate and flexible than the old system because the list of job openings is published quarterly rather than annually and better reflects labor market demands because it is done by province. However, several problems remain. The first is that the basic information comes from the INEM which act as intermediary in only a very small percentage of hiring (less than 10% of the total). The rest is done through private job-placement companies, or through informal channels (friends, relatives, etc.). Secondly, the administrative handling of the applications that employers must present is slowed down by a lack of staff and resources at the offices in charge of processing them, causing the process to take much longer than it should. In 2007, for instance, it took an employer in Madrid a full year on average to hire an immigrant in his or her native country. All of these shortcomings, added to the government’s failure to fulfill its promise of providing more Labor inspectors, have led to immigrants without permits continuing to arrive in large numbers. The job-seeking visa, included in the Socialist party’s electoral platform in the 2004 election, was never implemented, due to opposition from trade unions. They feared that, given the shortage of labor inspectors, this kind of visa would turn into a new way of remaining in Spain illegally.

The political discourse and policies of the Socialist government became more restrictive as a result of the so-called “crisis of the cayucos,” (small boats), when in the summer of 2006 some 25,000 undocumented migrants arrived in the Canary Islands aboard such vessels after sailing from the coast of West Africa. From that point on, the government started stressing the importance of stopping illegal immigration, and Spanish Foreign Ministry launched a campaign in Africa to sign agreements on swift repatriation of migrants and cooperation in monitoring African coastal waters to avoid irregular migration. But the biggest change of tone came after the general elections of March 2008, in which the Socialist party won re-election, when unemployment became evident as results of economic crisis.

Irregularity as a Regular Path

Irregularity has been a phase in the life of most immigrants in Spain, as the results of polls, regularizations and demographic data show (Díez Nicolás 2001, Pérez and Rinken 2004, CERES 2004). After the last extraordinary regularization of 2005 the number of irregulars decreased dramatically, but a big poll conducted in the last weeks of 2006 still showed at least a 13% of irregularity among immigrants as admitted by them. Regularity increases with the time of stay, but irregularity is a common way of entry: 40% of those arrived during 2006 were still irregulars at the end of that year (Reher and Requena 2008). The entry of Romania and Bulgaria in the EU in January 2007 reduced drastically the percentage of irregularity, which, according to our estimates, was of 43% as a mean during the period 2000-2006 (González-Enríquez 2009).

As in all Southern European countries, regularizations have constituted the main tool for reducing the number of irregular immigrants and managing migratory flows. Altogether, seven extraordinary regularizations have been conducted, which legalized more than 1,100,000 people. To this must be added those who were legalized individually through the routine mechanism, the overall number of which has not been published. However, after each major regularization (the one in 2000-01 and the one in 2005, both of which granted papers to some 500,000 people), governments have seen how immigrants continue to arrive in the country illegally. What is more, some of those who gain legal status in such amnesties lose it later because the requirements for renewing work and residency permits are stricter than those applied in the regularization. On the other hand, given volatility in the economic sectors in which most immigrants work, they often cannot show a contract when it comes time to renew their permits (Cabellos and Roig, 2006).

When governments of both the center-right and center-left have realized this permanence or increase after regularization in the number of immigrants staying illegally, they have reversed course in their discourses and their policies, becoming stricter. Examples of this reversal are the closure of virtually all legal

entries in 2002, the exigency of visa to Colombians (2001) and Ecuadorians (2003), both decided by the government led by the Popular Party after the 2000-2001 regularization processes, or the shift in the public discourse of the Socialist-led government after the 2006 “crisis of the cayucos”, stressing the fight against irregular migration, and its decision also that year to demand visas from Bolivians (in force since 2008).

In both of these policy shifts, the fight against the presence of undocumented foreigners became the central focus of government discourse on immigration, accompanied by political and police measures. One of those that had the most significant effect was the requirement of entry visas for nationals of Latin American countries known to be major sources of irregular immigrants. On the other hand, Spain has made substantial efforts to seal its maritime frontier with Africa⁹, through the development in 2002 of the Integrated System of External Surveillance (SIVE) provided with powerful technical resources and able to detect virtually all boats which approach the coastline. This system has brought a dramatic decrease of the arrival of irregular Moroccan immigrants as the readmission agreement signed between Spain and Morocco in 1992 made it possible to immediately return the irregular immigrants intercepted on arrival at the Spanish coasts¹⁰.

A different challenge has been posed by Sub-Saharanans who crossed Moroccan territory to finally travel by boat to Spain. Morocco still does not accept the return of these immigrants when they are caught in Spanish waters or coastline, but in 2004 the pressure of the EU achieved the cooperation of Moroccan authorities in the surveillance of their own coasts to avoid the departure from them of irregular immigrants. From then on, Sub-Saharanans began a riskier travel to Spain, beginning in Mauritania to arrive in Canary Islands. When Spain attained the Mauritanian collaboration in 2005, Sub-Saharanans moved further south, to Senegal and even Côte d’Ivoire. As mentioned, the year 2006 was the highest point in the arrival of these boats to the Canary Islands, when 25,000 immigrants arrived that summer.

Freedom was the destiny of most Sub-Saharanans arriving by boat until 2006, because of the lack of readmission agreements with their origin countries, but the diplomatic offensive of the Spanish government in the Western African Coast since 2006 has achieved the signing of accords with Green Cape, Mali, Guinea Conakry, Guinea Bissau and Niger and varied forms of cooperation with other states in the region, with the result of a notable decrease of irregular arri-

⁹ Although African irregular immigration is statistically irrelevant in comparison with that coming from Latin America, it has attained bigger media attention and political concern due to the dramatic circumstances which usually surround the travel and to the lower level of professional and language skills of African migrants.

¹⁰ However, the problem subsists regarding non-accompanied Moroccan minors. An accord (Memorandum of Understanding) for the repatriation of these minors was signed in 2003 but not applied by Morocco. A new accord was signed in 2006 and ratified by Moroccan government in 2008.

vals from Africa. However, a systematic policy to trace and detect irregular immigrants inside the country, which would have been coherent with the declared priority of fighting illegality, was not carried out until 2008, when the economic crisis and the high rate of unemployment among Spaniards, and especially among immigrants, put an end to the capacity of the Spanish society for absorbing a big influx of immigration.

There was heavy impact of the crisis on the Spanish labor market and notably among immigrants; their concentration in the construction sector, which was the worst hit by the recession, dramatically altered the scenario in which immigration issues were perceived. The sudden stop of a period of continuous growth and job creation and overwhelming unemployment led to a shift in the immigration policy, with the virtual closure of the list of posts offered to immigrants, the offering of incentives to the return of unemployed immigrants, the hardening of conditions permitting family regrouping and the activation of police controls inside the country to identify and arrest irregular migrants.

Europeanization of Spanish Migration Policy and Spanish Influence in the European Agenda

Relations between Spain and the EU in the realm of regulation and management of immigration have evolved in two distinct phases, the first being the time period from Spanish accession to the beginning of the new century, when Spain was only a recipient of EU norms and anxieties and acted in the domestic sphere with a view to calming these fears towards a new open-door to the Schengen area. As already mentioned, the first attempt to regulate immigration was the answer to this Northern anxiety.

From 2000 on, as immigration became an issue in the domestic political and institutional life, Spanish successive governments adopted a more proactive approach in their relations with the EU as a whole and with individual member States in this realm. Irregular migration has always been the main axis of this relation, as Northern states frequently have perceived the Southern ones as too permissive and hence counteracting the restrictive efforts in the North. Spain has been one of the main promoters of Frontex (the European agency for the management of the external borders, established in 2004) and has pressed to obtain EU financial and operative help for the prevention, control and return of irregular migration. The establishment in 2007 of a European financial fund for the return of irregular migrants ¹¹or the launching of European repatriation joint flights are also results of this Spanish demand for bigger implication of Northern countries in the financial cost of immigration management. Successive regularizations

¹¹ The Fund has been provided with 676 million euros for the period of 2008-2013.

have not helped Spain on this process and have tainted its image, as the government could verify in the summer of 2006 when it demanded greater European involvement in the fight against African irregular immigration (that summer 25,000 Sub-Saharanans arrived in the Canary Islands); its request was met coldly and with reproaches for the big regularization process of the previous year.

Spanish influence on the European design of a migration policy has been especially noticeable in the policy towards migration sending countries. The so called Process of Rabat, established in the Euro-African ministerial meeting of July 2006, is the result of a Spanish initiative, then culminated in the Africa-EU Partnership signed in 2007. The leading rationale behind the Rabat Process is linking the opening of channels for legal migration with development aid and control of irregular migration in the sending or intermediate countries. This same proposal was the core of the “Global Approach” to immigration, also a Spanish initiative, approved in the European Council of June 2007, which should lead to the incorporation of European migration priorities into the European foreign policy.

From the perspective of Spanish efforts to involve EU in the attempt to curb irregular migration arriving from Morocco, the more outstanding success was the beginning in 2004 of the Moroccan cooperation in the vigilance of its coasts to avoid the departure from them of Sub-Saharan irregular migrants. This cooperation was the direct result of the EU pressure on Morocco during the negotiations of the Action Plan of the Association Accord and the definition of the European financial help through the MEDA funds. Morocco has resisted the European demands for the signing of an accord of readmission of irregular migrants, but the completion in 2008 of the document stating an “advanced status” between Morocco and the EU will ease the way towards a future readmission accord which would benefit the whole Schengen area and first and foremost Spain.

European norms and institutions have also played the role of external sanctions in domestic Spanish decision-making, as the length of the period that irregular migrants can be detained was extended from 40 to 60 days. This extension had already been decided by the Interior Ministry in 2008 but only implemented after the approval of the European Directive on Return of Immigrants, which established a maximum detention period of six months¹². This Directive had been promoted, among others, by the Spanish government, and had provoked strong criticisms among champions of human rights, yet went unnoticed by the media and hence by the public.

Spain was very active in the design of the European Pact on Immigration and Asylum (2008), proposed by France during its presidency of the EU and drawn up in very restrictive terms. The Pact has constituted the first occasion in

¹² The extension of the period was included in the reform of the Law on Foreigners approved in November 2009.

which the EU has included in a unique document a complete declaration of intent regarding immigration. The Spanish Socialist government achieved a substantial transformation of the text that was finally approved. The Pact rejects massive regularizations, one of the most important elements in the French approach, but does not include the French proposal of making the “integration contract” obligatory, a proposal deemed as xenophobic among big parts of the left in Spain.

Conclusion

Spain has experienced during the last decade the biggest inflow of immigration in the European Union in an unexpected and unplanned process. The country was unprepared for the management of this inflow of mostly low qualified immigrants whose presence has greatly contributed to the strength of the hidden economy and the sustaining of the construction bubble, the main motor of Spain’s extraordinary economic growth during the first years of the decade, and which was well above the European average. In the period of continuous growth (1996-2007), immigrants occupied the jobs that Spaniards left vacant in several sectors, such as construction, domestic help, small trade, catering and agriculture. A good part of immigrants entered the country irregularly, mainly as bogus tourists, and since the year 2000 had enjoyed free access to all kinds of social services and were offered guarantees of near-regularization. The understaffing of administrative services dealing with the management of immigration and the weakness of internal labor or police controls led to the periodic formation of big stocks of irregular migrants, which regularizations absorbed into legality in what became the main tool of migration management.

During the 2000 decade public opinion on this realm evolved from an exceptionally positive and sympathetic position on immigration to a negative one. The impact of the demographic change in the public services (which have not received the extra funding needed to support a bigger population), the competition created in the lowest social levels among immigrants and natives regarding low qualified jobs and access to certain social benefits, the effect of terrorist attacks on the image of Muslim immigrants, and the new forms of criminal activity led by foreigners have all affected public opinion. Finally, when the construction bubble exploded in 2007 due to the international financial crisis and the domestic collapse of the domestic model of economic growth, Spain achieved the highest rate of unemployment in the EU¹³, and public mood towards immigration deteriorated greatly. Since 2008, a more restrictive policy has been implemented, which has not achieved a complete stop in the increase of the immigrant population, but has greatly reduced its growth rate. During the

¹³ According to the Active Population Poll (Encuesta de Población Activa) in the third quarter of 2010, the unemployment rate among Spaniards was of 18%, and amounted to 30% among foreigners.

years of economic growth successive governments have been subjected to pro-immigration pressures coming from the business sector, the Catholic Church, the ONGs, and the leftist parties and media, while on the opposing side only the European Union and individual member states such as France have expressed their concerns about the Spanish experience. In the domestic sphere, the unarticulated opposition of lowest social classes, only visible through opinion poll, has remained unnoticed.

The European Union has played a double role in the Spanish immigration process: Spain has obtained EU support in the financial and political effort to reduce irregular migration, especially coming from Africa, and has used EU decisions as external legitimization for the introduction of domestic policies that could arouse opposition.

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Spain's Membership in the EU and the European Welfare State

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Abstract

Membership in the EEC/EU has brought incentives for Spain to achieve economic 'real' convergence. Figures of economic growth are significant in this respect: in 1985 the per head income in purchasing power parity (PPP) was 70.6 percent of EU's mean; in 2007, it had already reached 103.0 percent regarding the UE-27. During the last 25 years, Spain's welfare has converged with those more mature systems of social protection in the EU. Social spending has grown at both a quicker and higher pace as compared to other European countries. The process of Europeanization has had a great impact in Spain's welfare development. This paper reviews social developments in Spain having as analytical reference the European welfare state in its diverse institutionalizations. Spanish welfare state appears as a *via media* between corporatist Continental, liberal Anglo-Saxon, and social-democratic Nordic worlds of welfare capitalism.

Introduction

During the 20th century the rise of the welfare state --a European 'invention'-- allowed provision for the basic needs of 'the people', through income security, health care, housing, and education. After the signing on May 9, 1950 of the Coal and Steel Treaty (Day of Europe), the EEC achieved during the so-called *trentes glorieuses*, or 'Golden Age' of welfare capitalism (1945-75), unprecedented economic growth and high levels of citizens' well-being. Since 1986, membership in the EEC/EU has brought incentives for Spain not only to achieve 'real' convergence with other large EU economies. The consolidation of a fully-fledged European welfare state has also been the main challenge Spain decided to address in order to be able to offer the benefits to its population as in the other large EU's member states. As could not be otherwise, the process of Europeanization has had a great impact on Spain's social policies.

This paper reviews social developments in Spain having as analytical reference the European welfare state in its diverse institutional settings. The Spanish welfare state appears as a *via media* between corporatist Continental, liberal Anglo-Saxon, and social-democratic Nordic worlds of welfare capitalism. A succinct review of Spain's 'catching up' process with Europe is reviewed with relation to the construction of the welfare system. Later on, attention is paid to Europeanization and EU inputs on labor activation. The increasing participation of women in the formal labor market is singled out as a societal transformation with far-reaching consequences for the recasting of Spain's welfare state.

Spain's *Via Media* of Welfare Development

The European Social Model may be regarded as a project focusing on collective solidarity, social equality and productive efficiency. The principles which delimit the ESM are in contrast to other socio-economic systems where individualistic re-commodification is the feature characteristic of welfare policies (USA), or where the social dumping model is proposed as the means for economic growth (China). The ESM promotes social citizenship, understood as a limitation to social and economic inequality, better protection for the most vulnerable, and an active social partnership. As a strategic objective, the ESM aims at achieving sustained economic development, full employment and sustainability based on social cohesion. The articulation of 'floors' or 'nets' of legal rights and material resources for citizens to participate actively in society can be seen as a primary concern for European countries. Accordingly, the fight against poverty and social exclusion plays a central role in the European social model. However, when viewed from below, European social policies appear much more diverse, as a kaleidoscope of sediments and peculiarities, although sharing a common perspective on social risks coverage and the promotion of social citizenship (Moreno and Serrano-Pascual 2007; 2011). In the EU context, four types of welfare regime may be identified and described briefly as follows:

The Bismarckian Continental regime is organized on the basis of occupational categories and is designed much less to reduce inequality than to maintain status. It is characterized by concerted action between employers and trade unions, and is financed by the contributions they make. Welfare policies by state institutions uphold this arrangement, which is organized through social insurance. There is a sharp distinction between labor market 'insiders' and 'outsiders'. The universality of coverage is therefore dependent on the achievement and maintenance of full employment.

The liberal Anglo-Saxon regime was initially patterned by its commitment to a form of universality in the case of the UK (Beveridge Report). Focused on poverty alleviation it is financed by general taxation and incorporates residual means-tested services and flat-rate benefits. It has more recently pursued a radi-

cal shift toward market principles, involving deregulation of the labor market, wage flexibility and retrenchment in social expenditure. A low level of de-commodification of individuals implies a larger measure of dependence by citizens on the market to ensure their primary income and social protection.

The social-democratic Nordic regime is premised on the combination of solidaristic ideas with growth and full employment, and the minimization of family dependence. It is financed by taxes, characterized by the principle of universality, and favors the public provision of free services rather than cash transfers. The main aim of this type of welfare state is to ensure the equality and homogeneity of social groups within an all-embracing middle class. Full employment is a goal based on broad political compromises and consensual governance.

The familistic Mediterranean regime is characterized by the central role played by the family and its interpenetration in all areas of welfare production and distribution. This results in a strong household micro-solidarity and other solidarity networks. Southern welfare has performed as a mixed weave of typologies in trying to integrate citizenship programs (social assistance, non-contributory pensions), occupational benefits and services (family dependent entitlements, labor-related benefits), or even universal schemes (education, health care).

European welfare states are in a process of convergence towards the middle concerning, among other indicators: income inequality, public expenditure and social protection expenditure (see Table 1). Gini coefficients and the risk of poverty have been reduced slightly, while expenditures have risen in absolute terms (Adelantado and Calderón 2006). The politics of the so-called "welfare retrenchment" have in fact translated into a generalized concern for "cost containment" which can be illustrated by: (a) a hardening of the criteria of access to and eligibility for welfare entitlements in Continental Europe; (b) a reduction of about 10 percent in the generous welfare benefits provided by Nordic welfare states; and (c) a transfer of responsibilities from the state-public to the profit-making private sector in parts of the British welfare state (e.g., pensions) (Moreno and Palier 2005). In all three instances, approaches to reform have been --at least partially-- path-dependent on those ideas, institutions and interest upon which those welfare states were first built and later developed (Moreno 2008).

Table 1: Social Expenditure as percentage of GDP (EU-15)

	1990	1995	1998	2002	2005
Continental	29.6	30.1	28.8	29.3	29.5
Nordic	28.1	32.1	30.1	28.8	28.2
Southern	18.0	22.2	23.7	24.6	24.1
U. Kingdom	24.3	27.7	26.8	27.6	26.8
Average EU-15	N.A.	27.7	27.1	27.4	27.8

Unweighted averages.

Continental Europe: Austria, Belgium, France, Germany, The Netherlands; **Nordic countries:** Denmark, Finland, Norway, Sweden; **Southern Europe:** Greece, Italy, Portugal, Spain.

Source: Eurostat.

During its phase of expansion (1975-1995), the Spanish welfare state witnessed a sharp increase in social spending on social insurance benefits and a widening in the public health coverage. The cross-party social agreement of the Pactos de la Moncloa in 1977 highly legitimized the accomplishment of both democracy and the construction of a welfare state according to European standards. The system of social protection in late Francoism was of a Bismarckian nature but it soon adopted new traits of other European welfare regimes.

Already in the early 1990s, Spain's welfare development appeared as a *via media* between both Bismarckian Continental and liberal Anglo-Saxon worlds of welfare capitalism (Esping-Andersen 1990, 1999; Moreno 2001). It also incorporated inputs and traits of the Social-Democratic Nordic welfare typology (Moreno and Sarasa 1992). Later on, while it became more liberal in macroeconomic policies, social policymaking followed a pattern of generalization and universalization of welfare entitlements and provision. As a consequence, there has gradually been a detachment from the Bismarckian principle of income maintenance in parallel with an expansion of the social assistance realm financed by general taxation (Moreno 2008; Guillén 2010).

Spain belongs to the Southern European welfare typology. Social-demographic trends, institutional peculiarities, political resources, socio-economic backgrounds, patterns of public policy and value-systems are rather similar in EU's southern countries (Sarasa and Moreno 1995; Ferrera 1996; Moreno 2006). If there is analytical agreement to include Greece, Italy, Portugal and Spain in a South European typology (Giner 1986; Gunther et al. 1995; Malefakis 1992; Morlino 1998), the boundary limits of the Mediterranean mode of social protection remains a debatable issue (Ferrera 1997). Questions in this respect relate, for instance, to whether France should be included as a Mediterranean-

an welfare country, or if new (Cyprus, Malta, Slovenia) or prospective EU member states (Croatia, Turkey) share analogous welfare characteristics with countries located in the West of the Mediterranean Sea.

The catching up process with Europe and the construction of the welfare system

From the time of its accession to the EEC/UE in 1986, Spain's economic growth accelerated in order to catch up with the main European central economies (see Table 2). Evidence has lent no support to the 'social dumping' explanation for such an achievement (Guillén and Matsaganis, 2000). If anything, Spain offers a good example of a pattern of "leapfrogging," or a very compressed transition from preindustrial to postindustrial socioeconomic structures (Ferrera, 2007). In the referred-to period 1945-2008, Spain passed from peripheral to core status within the international economic order (Espina 2007). Since the 1960s the country followed a pattern of 'mixed market economy', a variant of the 'coordinated mixed economy' variety of contemporary capitalism (Hall and Soskice 2001). Spain, together with other Mediterranean market economies (Italy, Portugal and Greece), is in a cluster which incorporates market, non-market and mixed forms of economic coordination (Amable 2003; Royo 2008).

Table 2: Spain's economic 'catch-up' drive (EU-15)

1945	1960	1985	2009*
49.5%	57.2%	69.8%	95.2%

Note: Per capita income (in purchasing power parity PPP) as percentage of European mean

* Estimate regarding the EU-15. The corresponding figure for EU-27 was 103%
Source: González-Temprano (2003), Moreno (2004), Eurostat.

A great deal of Spain's welfare provisions and institutional arrangements has been made possible by the financial resources available. Certainly, high public expenditure does not translate automatically into a generous welfare state. It is a necessary although not sufficient condition. A look at Table 3 illustrates the big increase in Spain's tax revenue as percentage of the GDP in the period 1965-2008, in line with other EU countries. Tax as percentage of GDP has been steadily higher than not only USA or Japan, but also than all non-European OECD countries (except New Zealand).

Two-thirds of citizens in Spain have repeatedly expressed their support for a direct public provision of welfare (Table 4). The high proportion of those in favor of the option for 'universalistic statism' is high among voters for both main right-wing and left-wing parties (Popular Party-PP and Socialist Party-PSOE).

Such citizens' attitudinal expressions provide a wide legitimating political base for the development of the welfare state (Arriba et al. 2006).

Table 3: Total tax as percentage of GDP in selected countries (1965-2008)

	1965	1975	1985	1995	2004	2008	65-08
Argentina	-----	-----	-----	21.2	19.1	23.2*	+2.0
Brazil	-----	-----	-----	27.3	32.2	26.1	-1.3
Chile	-----	-----	-----	17.6	18.2	14.2	-3.4
Mexico	-----	-----	17.0	16.7	19	12.5	-4.5
USA	24.7	25.6	25.6	27.9	25.5	26.1	+1.4
Denmark	29.9	39.3	46.5	48.8	48.8	48.2	+18.3
Finland	30.4	36.7	39.9	45.6	44.2	43.1	+12.7
Sweden	35.0	41.6	47.8	48.1	50.4	46.3	+11.3
France	34.5	35.5	42.4	42.9	43.4	43.2	+8.7
Germany	31.6	35.3	37.2	37.2	34.7	37.0	+5.4
UK	30.4	35.3	37.7	35.0	36.0	35.7	+5.3
Greece	19.9	21.3	28	31.7	35	32.6	+12.7
Italy	25.5	25.4	33.6	40.1	41.1	43.3	+17.8
Portugal	15.8	19.7	25.2	31.7	34.5	35.2	+19.4
Spain	14.7	18.4	27.2	32.1	34.8	33.3	+18.6
UE-15	27.9	32.4	37.7	39.2	39.7	-----	+11.8
OECD (total)	25.8	29.7	32.9	35.1	35.9	34.8	+9.0

Unweighted mean.

*2007 for Argentina

Source: Revenue Statistics. OECD (www.oecd.org/data/stats/taxrevenue.pdf; http://www.oecd-ilibrary.org/taxation/total-tax-revenue_20758510-table2) and ECLAC for Brazil and Chile <http://www.eclac.org/estadistica>

Table 4: Legitimation bases for the welfare state in Spain

	1985	1989	1993	1995	2005	2006	2008
The Government is responsible for each and everyone of citizens' welfare and has the duty to help them out to solve their problems	68	58	61	62	68	66	74
The Government is responsible only for the least-favored citizens and has the duty to help them out to solve their problems	*	21	18	15	23	21	15
Citizens are responsible themselves of their own welfare and have the duty of sorting out their own problems	18	5	16	16	5	10	7
D.K./N.A.	13	16	5	5	4	3	4
N	2489	2494	2500	2487	2490	2490	2454

Percentages have been rounded.

* Option not included in 1985.

Source: Spanish Sociological Research Center (CIS): Studies 1.465 (1985), 1.849 (1989), 2.063 (1993), 2.187 (1.995), 2.594 (2005), 2.644 (2006) and 2.765 (2008)

In institutional terms, the consolidation of Spanish welfare rests upon four pillars concerning education, health, income transfers and social services (see Table 5). Spain has preserved its basic four pillars for the provision of social protection and services, which is relatively extensive in coverage (health, pensions and unemployment protection and, to a lesser degree, personal services), but with a relatively low intensity of protection. There is a noticeable participation of the market and a growing Third Sector involvement, which implies in many cases a shifting to the individuals and the households of the costs of welfare provision. New policies of territorial cohesion have been introduced to avoid financial inefficiencies in the National Health System. Likewise, renewed attempts to reforms the pensions systems have been voiced despite the fact that the system does not face the kind of sustainability problem as happens with the 'generous' provision in Greece and Italy (Ramos and del Pino 2009). Further development of the national service for long-term care appears uncertain due to the extra financing required from both central and regional governments (Marbán 2009). In sum, the

Spanish welfare state can be regarded as an incomplete universal system, of an institutionally mixed nature, relatively fragmented in several levels of social protection and with spending levels around the EU-27 mean. In fact, the financial effects of the crisis have meant a sharp increase in social spending, particularly in unemployment benefits, coupled with a fall and subsequent stagnation of GDP growth (González-Temprano, 2003; Moreno and Rodríguez-Cabrero 2007; Moreno 2009; Navarro 2009; Rodríguez-Cabrero 2010).

Table 5: Pillars Spain's welfare state

Policy area	Rights and entitlements	Institutional landmarks	Public spending (% GDP)
Education	Basic and compulsory instruction (6-16 years)	Law on Education (1985) Law on Education, LOGSE (1990) Law on Education (2006)	4.5%
Health	Universal access to benefits and services of the National Health System	Law on Health (National Health Service, 1986) Law on Cohesion and Quality of the National Health Service (2003)	6%
Income transfers	Pensions and social insurance benefits Minimum income support (means-tested) and assistance for unemployed	Law on Social Security (1966) Law on Non-Contributory Pensions (1990, disability and retirement) Regional laws on minimum (1989-1995)	16.3%
Social services and care	Universal and decentralized access to the basic network of benefits and services Long-term care and promotion of personal autonomy	Intergovernmental Concerted Plan on Social Services by provided by Local Authorities (1987) Regional laws on social services (1980-1996) Law on Dependency and Long-Term Care (2006)	1.4%

Source: Own elaboration. Financial data provided by the 2009 National and Regional budget accounts (NB. Social spending by the local administration has not

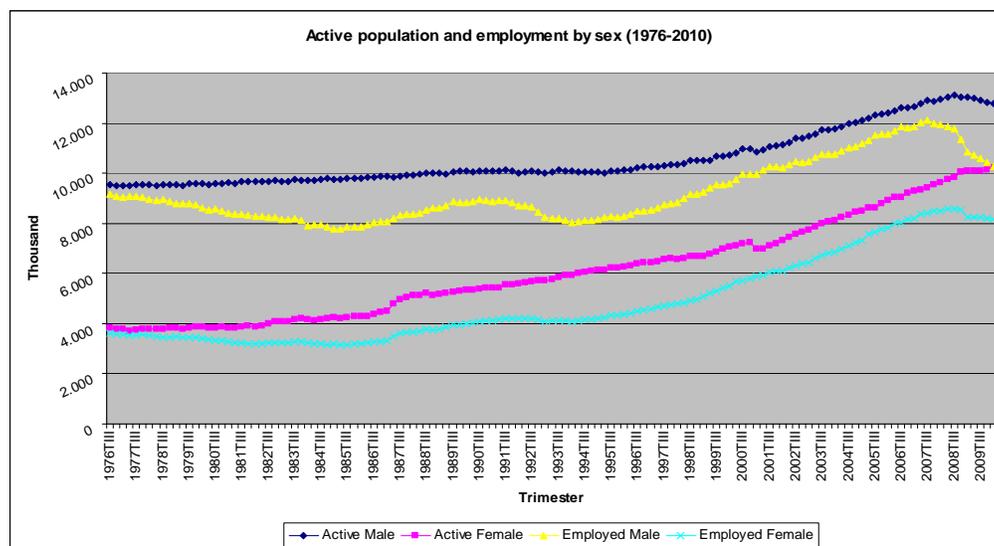
been aggregated). Data on both central and regional correspond to spending internally consolidated.

EU's Input On Activity Rates and Female Labor Participation

The paradigm of labor activation championed by the EU and other international institutions, such as the OECD and the IMF, has been fully embraced by Spanish authorities. A look at the evolution of labor market (Figure 1) helps to explain the degree of Europeanization in a policy area of important implications for the future evolution of the Bismarckian component of the Spanish welfare state.

It is a well-known structural fact that Spain's labor market can create great numbers of jobs in short periods of time, but it also destroy much employment in times of crisis (Garrido-Medina 2010). Such oscillations produce acute knock-on effects in welfare provision. As a reminder, during the period of accelerated growth, 1994-2007, 8 million jobs were created and unemployment fell to 8.3%. No other large EU country experienced increases in its labor activity rates of such proportions. In 2010, in the midst of the financial crisis, unemployment jumped to around 20% of the active population, highest in the Eurozone: 1 in 5 active workers were jobless. As unusual as it may seem, such a swing in fortunes was not extraordinary as compared to the previous growing economic cycle of 1986-1991. In 1994, unemployment reached 24.2% of the active population, or 1 jobless for every 4 active workers

Figure 1: Active population and employment by sex (1976-2010)



A result of Spain's workfare policies has been a quantum-leap increase in the participation of women in the formal labor market. This can be singled out as the great transformation in Spain's political economy and welfare development in contemporary times. In 1977 Spain's female activity rate was lower than half of the male rate. In 2000 it was around 85% of that corresponding to active male workers. As reflected in Table 6, the percentage of women's activity rate during 1976-2009 nearly trebled in the young to middle age-groups (25-49 years). This process is of the outmost importance in a familistic welfare regime. It affects an age group where women often confront not only demanding job careers, but also a greater household involvement related to reproduction and child care activities. In 2010, almost 3 out 4 Spanish women aged 25-54 years were active in the formal labor market. Furthermore, and contrary to other patterns in Central and Northern Europe, Spanish women participated primarily in the labor market on a full-time basis, something which made the combination of domestic and paid work all the more difficult.

Table 6 Female activity rates in Spain (1976-2009)

Age groups	1976	1980	1985	1990	1995	2003	2010	% population by age groups
16-19	48.57	39.97	31.97	30.25	21.77	18.4	19.64	4.49
20-24	53.49	54.71	54.53	61.20	57.95	56.36	64.25	6.57
25- 54	29.07	30.40	35.62	47.87	56.47	66.01	77.90	53.81
+55	13.84	11.24	10.05	8.99	8.46	9.68	15.22	35.13
Total	28.53	27.77	28.96	34.56	37.86	43.15	55.22	100.0

Source: *Encuesta de Población Activa* (Spanish Labor Force Survey), INE (www.ine.es)

Within families the role of women has traditionally been pivotal, as they have often cared particularly for children or older relatives at the expense of erratic careers or full withdrawal from the labor market. However, as the hyperactivity of cohorts of "superwomen" vanishes gradually, there is a serious vacuum

emerging in welfare provision which will have enduring effects in social care (Salido and Moreno 2009). The increasing externalization of personal care services traditionally provided by the family has taken a particular turn in Spain, as in other South European countries. Such services are often purchased from immigrants at low cost. This process has generalized since 2000, something which reiterates preferences in Southern Europe for contingent solutions (Moreno-Fuentes 2009). Developments in this case have unfolded along the lines of the liberal Anglo-Saxon model of private preference for market provision, rather than for the 'top down' institutionalization of structural reforms, as in the Nordic countries. In fact, sorting out the apparent conflict between society's expectations of women's role as mothers and active workers appears as a crucial element in order to adapt Spain's familistic Mediterranean welfare regime to the dual challenge of increasing labor productivity growth and preserving social cohesion (Salido 2006; Salido and Moreno 2007).

Concluding remarks

Since 1986, gradual and accumulative reforms of the Spanish welfare state have been of a piecemeal and fragmented nature. Unlike cases in Central and Northern Europe, Spain's catching up with EU core countries has been achieved following a Mediterranean mode of welfare development. A syncretic *via media* which has incorporated elements and rationale characteristics of other worlds of welfare capitalism (Bismarckian, Liberal and Social-Democratic) is responsible for such a process.

Prior to the 2007 financial crisis, Spain's economy had successfully accomplished its long-standing goal to catch up with EU's core. During the 1990s and 2000s the Spanish economy benefited from the global real estate boom, reaching figures such as 16% of GDP and 12% of employment. After the collapse of the construction sector, the level of private debt has skyrocketed putting great pressure on the middle classes and calling into question an economic model based on 'the brick and the sun' (Spain is the world's second largest tourist destination).

Regarding Europeanization, it can be expected that Spain will continue to follow political developments in the European Union as main points of references for its own political economy and welfare policies. European governance based upon decentralization and the involvement of stakeholders in policy elaboration and design has had a considerable impact on Spain's federal-like 'State of Autonomies' (Moreno 2010). Indeed, Spanish political economy and welfare development will continue to be shaped by the process of Europeanization. This should come as no surprise in a country with an 'optimistic' view on the future of Europe.

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III. The Economy

Lessons from Portugal and Spain in the EU after 25 Years: The Challenges of Economic Reforms

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Abstract

The purpose of this paper is to use the experience of Portugal and Spain in the European Union (EU) to draw some lessons that may be applicable to Eastern European countries. Portugal and Spain's experiences will illustrate some of the opportunities and challenges associated with EU and European Monetary Union (EMU) membership. The paper examines the economic performance of both countries during the last decade, analyzes the impact of the global financial crisis and outlines some lessons that can be derived from the Iberian experiences.

Introduction

After decades of relative isolation under an authoritarian regime the success of the Portuguese and Spanish democratic transitions in the second half of the 1970s paved the way for full membership in the European Community. For Portugal, Spain, and its European Community (EC) partners this momentous and long awaited development had profound consequences and set in motion complex processes of adjustment.¹

There was no dispute that Portugal and Spain belonged to Europe. This was not just a geographical fact. Portugal and Spain both shared its traditions, culture, religion, and intellectual values with the rest of Europe. Moreover, they

¹References to the European Economic Community (EEC) or the European Union (EU) can be misleading if the historical period covered extends past the last two decades. This paper addresses themes in the European Economic Community prior to the introduction of the European Union label in the Maastricht Treaty of 1991. The terms 'the European Community' (EC) or 'the European Union' (EU) are used indistinctly to refer to the European integration process and institutions throughout the article. Similarly, 'Europe' is here always used to refer to the countries that are members of the European Union, either before or after the Maastricht Treaty.

had historically contributed to the Christian occidental conceptions of mankind and society dominant in Europe. Without Portugal and Spain the European identity would only be a reflection of an incomplete body. It belonged to Europe. Its entry into the European Community was a reaffirmation of that fact.

The purpose of this paper is to use the experience of Portugal in the European Union (EU) to draw some lessons that may be applicable to Eastern European countries. Portugal and Spain's experiences will illustrate some of the opportunities and challenges associated with EU and European Monetary Union (EMU) membership.

The paper examines the economic performance of both countries during the last decade, analyzes the impact of the global financial crisis and outlines some lessons that can be derived from the Iberian experiences.

Spain: From Miracle to Bust

Before the global crisis that hit Spain in the spring of 2008, which has had devastating consequences for the Spanish economy, the country had become one of Europe's (until then) most successful economies.² While other European countries had been stuck in the mud, Spain performed much better at reforming its welfare systems and labor markets, as well as at improving flexibility and lowering unemployment. Indeed, over the last decade and a half the Spanish economy has been able to break with the historical pattern of boom and bust, and the country's economic performance was nothing short of remarkable. Propped by low interest rates and immigration, Spain was (in 2008) in its fourteenth year of uninterrupted growth and it was benefiting from the longest cycle of continuing expansion of the Spanish economy in modern history (only Ireland in the Euro zone has a better record), which contributed to the narrowing of per capita GDP with the EU.³ Indeed, in 20 years per capita income grew 20 points, one point per year, to reach close to 90 percent of the EU15 average. With the EU25 Spain has already reached the average. The country has grown on average 1.4 percentage points more than the EU since 1996.

Unemployment fell from 20 percent in the mid-1990s to 7.95 percent in the first half of 2007 (the lowest level since 1978), as Spain became the second country in the EU (after Germany with a much larger economy) creating the most

² This article draws upon Royo2008, 2009, and 2010. A previous version was present at APSA in 2010.

³ "Zapatero Accentuates Positives in Economy, but Spain Has Other Problems," in *Financial Times*, April 16, 2007, p. 4; and "Spanish Economy at Its Best for 29 years, Says Zapatero," in *Financial Times*, April 18, 2007, p. 3.

jobs (an average of 600,000 per year over the last decade).⁴ In 2006 the Spanish economy grew a spectacular 3.9 percent and 3.8 percent in 2007. As we have seen, economic growth contributed to per capita income growth and employment. Indeed, the performance of the labor market was spectacular: between 1997 and 2007, 33 percent of all the total employment created in the EU-15 was created in Spain. In 2006 the active population increased by 3.5 percent, the highest in the EU (led by new immigrants and the incorporation of women in the labor market, which increased from 59 percent in 1995 to 72 percent in 2006); and 772,000 new jobs were created. The public deficit was also eliminated (the country between 2005 and 2006 had a *superavit* which reached 1.8 percent of GDP, or 18 billion Euros, in 2006), and the public debt was reduced to 39.8 percent of GDP, the lowest in the last two decades.⁵ The construction boom has also been remarkable: more than 400,000 new homes have been built in and around Madrid between 2002 and 2007.

The overall effects of EMU integration were also very positive for the country: it contributed to macroeconomic stability, it imposed fiscal discipline and central bank independence, and it dramatically lowered the cost of capital. One of the key benefits was the dramatic reduction in short-term and long-term nominal interest rates: from 13.3 percent and 11.7 percent in 1992, to 3.0 percent and 4.7 percent in 1999, and 2.2 percent and 3.4 percent in 2005.⁶ The lower costs of capital led to an important surge in investment from families (in housing and consumer goods) and businesses (in employment and capital goods). Without the Euro the huge trade deficit that exploded in the second half of the 2000s would have forced a devaluation of the peseta and the implementation of more restrictive fiscal policies.

The economic success extended to Spanish companies, which now expanded beyond their traditional frontiers (Guillén 2005). In 2006 they spent a total of 140 bn Euros (\$184bn) on domestic and overseas acquisitions, putting the country third behind the United Kingdom and France.⁷ Of this, 80bn Euros were to buy companies abroad (compared with the 65bn Euros spent by German companies).⁸ In 2006 Spanish FDI abroad increased 113 percent, reaching 71,487 bn Euros (or the equivalent of 7.3 percent of GDP, compared with 3.7 percent in 2005).⁹ In 2006 *Iberdrola*, an electricity supplier purchased *Scottish Power* for \$22.5bn to create Europe's third largest utility; *Banco Santander*, Spain's largest

⁴ "El paro se sitúa en el 7.95% y alcanza su nivel más bajo desde 1978," in *El País*, Friday, July 27, 2007.

⁵ "La economía española se hace fuerte," in *El País*, March 25, 2007 and "La economía repuntó al 3.9% en 2006 tras el mayor avance de la productividad en nueve años," in *El País*, February 22, 2007.

⁶ Guillermo de la Dehesa, "La Próxima Recesión," in *El País*, January 21, 2007.

⁷ "Spain's Bold Investors to Offset 'Gentle Slowdown,'" in *Financial Times*, February 22, 2007.

⁸ From "Modernised Nation Faces Uncharted Territory," in *Financial Times: Special Report*, Thursday, June 21, 2007, p. 1.

⁹ Emilio Ontiveros, "Redimensionamiento Transfronterizo," in *El País*, July 15, 2007.

bank, purchased Britain's *Abbey National Bank* for \$24bn, *Ferrovial*, a family construction group, concluded a takeover of the *British BAA* (which operates the three main airports of the United Kingdom) for 10bn pounds; and *Telefonica* bought *O2*, the U.K. mobile phone company.¹⁰ Indeed, 2006 was a banner year for Spanish firms: 72 percent of them increased their production and 75.1 percent their profits, 55.4 percent hired new employees, and 77.6 percent increased their investments.¹¹

The country's transformation was not only economic but also social. The Spanish became more optimistic and self-confident (i.e., a Harris poll showed that they were more confident of their economic future than their European and American counterparts, and a poll by the *Center for Sociological Analysis* showed that 80 percent were satisfied or very satisfied with their economic situation).¹² Spain is "different" again and according to a recent poll it has become the most popular country to work for Europeans.¹³ Between 2000-2007, some 5 million immigrants (645,000 in 2004 and 500,000 in 2006) settled in Spain (8.7 percent of the population compared with 3.7 percent in the EU15), making the country the biggest recipient of immigrants in the EU (they represent 10 percent of the contributors to the Social Security system). This is a radical departure for a country that used to be a net exporter of people, and more so because it has been able to absorb these immigrants without falling prey (at least so far) to the social tensions that have plagued other European countries (although there have been isolated incidents of racial violence) (Calativa, 2005).¹⁴ Several factors have contributed to this development.¹⁵ First, economic growth, with its accompanying job creation, provided jobs for the newcomers while pushing down overall unemployment. Second, cultural factors: about one-third of the immigrants come from Latin America, and they share the same language and part of the culture, which facilitates their integration. Third, demographic: an aging population and low birth-rates. Finally, the national temperament characterized by a generally tolerant attitude, marked by the memory of a history of emigration, which make

¹⁰"Siesta's Over for Spain's Economy," in *Los Angeles Times*, April 7, 2007.

¹¹Deloitte's "Barometro de Empresas," from "Un año de grandes resultados," in *El País*, Sunday January 14, 2006.

¹²"Spanish Bulls," in *Financial Times*, Tuesday, February 20, 2007.

¹³ According to the *Financial Times*, 17 percent of those polled selected Spain as the country where they would prefer to work ahead of the United Kingdom (15 percent) and France (11 percent). See "Españavuelve a ser diferente," in *El País*, February 19, 2007, and *Financial Times*, February 19, 2007.

¹⁴Calativa provides a detailed analysis of the immigration experience in Spain and exposes the tensions associated with this development. She also highlights the shortcomings of governments' actions in regard to integration, and the impact of lack of integration on exclusion, criminalization, and radicalization.

¹⁵"Tolerant Spain Is Booming as It Absorbs Flood of Foreign Workers," in *Financial Times*, Tuesday, February 20, 2007, p. 3.

the Spanish more sympathetic to immigrants (according to a recent poll no fewer than 42 percent states that migration has had a positive effect on the economy). The proportion of children from mixed marriages increased from 1.8 percent in 1995 to 11.5 percent in 2005.¹⁶

These immigrants contributed significantly to the economic success of the country in that decade because they boosted the aggregate performance of the economy: They raised the supply of labor, increased demand as they spent money, moderated wages, and put downward pressure on inflation, boosted output, allowed the labor market to avoid labor shortages, contributed to consumption, and increased more flexibility in the economy with their mobility and willingness to take on low-paid jobs in sectors such as construction and agriculture, in which the Spanish were no longer interested.¹⁷

Indeed, an important factor in the per capita convergence surge after 2000 was the substantive revision of the Spanish GDP data as a result of changes in the National Accounts from 1995 to 2000. These changes represented an increase in GDP per capita of 4 percent in real terms (the equivalent of Slovakia's GDP). This dramatic change was the result of the significant growth of the Spanish population since 1998 as a result of the surge in immigration (for instance in 2003 population grew 2.1 percent). The key factor in this acceleration of convergence, given the negative behavior of productivity (if productivity had grown at the EU average Spain would have surpassed in 2007 the EU per capita average by 3 points), was the important increase in the participation rate, which was the result of the reduction in unemployment, and the increase in the activity rate (proportion of people of working age who have a job or are actively seeking one) that followed the incorporation of female workers into the labor market and immigration growth. Indeed between 2000 and 2004 the immigration population has multiplied by threefold.

Table 1: The Determinants of Real Convergence in Spain 2000-04 (UE25=100)

	Per Capita Rent	Labor Productivity	Participation Rate	Demographic Factor
2000	92.7	99.0	91.8	102.4
2004	97.2	96.8	98.5	102.8
Difference	+4.5	-2.2	+6.7	+ 0.4

Source OEP 2005, p. 18.

¹⁶ "Spanish Bulls," in *Financial Times*, Tuesday, February 20, 2007. Still, 59 percent thought that there were "too many foreigners" in the country.

¹⁷ "Immigrants Boost British and Spanish Economies," in *Financial Times*, Tuesday, February 20, 2007, p. 3.

As a matter of fact most of the 772,000 new jobs created in Spain in 2006 went to immigrants (about 60 percent).¹⁸ Their motivation to work hard also opened the way for productivity improvements (which in 2006 experienced the largest increase since 1997, with a 0.8 percent hike). It is estimated that the contribution of immigrants to GDP in the last four years has been of 0.8 percentage points.¹⁹ Immigration has represented more than 50 percent of employment growth, and 78.6 percent of the demographic growth (as a result Spain has led the demographic growth of the European countries between 1995 and 2005 with a demographic advance of 10.7 percent compared with the EU15 average of 4.8 percent).²⁰ They have also contributed to the huge increase in employment, which has been one of the key reasons for the impressive economic expansion. Indeed, between 1988 and 2006, employment contributed 3 percentage points to the 3.5 percent annual rise in Spain's potential GDP (see Table 6).²¹

The Basis for Success

What made this transformation possible? The modernization of the Spanish economy in the last two and half decades has been intimately connected to the country's integration in the European Union. Indeed, European integration was a catalyst for the final conversion of the Spanish economy into a modern Western-type economy. Yet, membership was not the only reason for this development. The economic liberalization, trade integration, and modernization of the Spanish economy started in the 1950s and 1960s and Spain became increasingly prosperous over the two decades prior to EU accession. However, one of the key consequences of its entry into Europe has been that it consolidated and deepened that processes, and it has accelerated the modernization of the country's economy. EU membership facilitated the micro- and macroeconomic reforms that successive Spanish governments undertook throughout the 1980s and 1990s. Spain has also benefited extensively from European funds: approximately 150 million Euros from agricultural, regional development, training, and cohesion programs.

Moreover, European Monetary Union (EMU) membership has also been very positive for the country: it has contributed to macroeconomic stability, it has imposed fiscal discipline and central bank independence, and it has lowered dramatically the cost of capital. One of the key benefits has been the dramatic reduction in short-term and long-term nominal interest rates: from 13.3 per cent and 11.7 per cent in 1992, to 3.0 per cent and 4.7 per cent in 1999, and 2.2 per cent

¹⁸ "El paro baja hasta el 8.3% en 2006, la mejor tasa desde 1979," in *El País*, January 26, 2007.

¹⁹ Guillermo de la Dehesa, "La Próxima Recesión," in *El País*, January 21, 2007.

²⁰ "La Economía española creció en la última década gracias a la aportación de los inmigrantes," in *El País*, Monday, August 28, 2006.

²¹ See Martin Wolf, "Pain Will Follow Years of Economic Gain," in *Financial Times*, March 29, 2007.

and 3.4 per cent in 2005. The lower costs of capital led to an important surge in investment from families (in housing and consumer goods) and businesses (in employment and capital goods). Indeed, EMU membership (and the Stability Pact) has provided the country with unprecedented stability because it has forced successive governments to consolidate responsible economic policies, which have led to greater credibility and the improvement of the ratings of Spain's public debt (and consequently to lower financing costs).

Another important factor to account for the country's economic success has been the remarkable economic policy stability that followed the economic crisis of 1992-93. Indeed, there have been few economic policy shifts throughout the 1990s and early 2000s, and this despite changes in government. Between 1993 and 2008 there has been only two Ministers of Finance, Pedro Solbes (from 1993-96, and from 2004-present) and Rodrigo Rato (from 1996-2004); and the country only had three Prime Ministers (Felipe González, José María Aznar, and José Luís Rodríguez Zapatero). This pattern was further reinforced by the ideological cohesiveness of the political parties in government and the strong control that party leaders exercise over the members of the cabinet and the parliament deputies.

In addition, this stability was reinforced by the shared (and rare) agreement among the Conservatives and Socialists leaders regarding fiscal consolidation (the balance budget objective was established by law by the Popular Party), as well as the need to hold firm in the application of restrictive fiscal policies and the achievement of budgetary fiscal surpluses: As a result, a 7 per cent budget deficit in 1993 became a 2.2 per cent surplus in 2007; and public debt decreased from 68 per cent of GDP in 1998 to 36.2 per cent in 2007.

Finally, other factors that contributed to this success include the limited corruption and the fact that politics are fairly clean in Spain,²² a relatively open and flexible economy, and the success of Spanish multinationals: There were eight firms in the *Financial Times* list of the world's largest multinationals in 2000, and 14 in 2008

The Challenges

However, this economic success was marred by some glaring deficiencies that came to the fore in 2008 when the global financial crisis hit the country, because it was largely a "miracle" based on bricks and mortar (Martinez-Mongay and MazaLasierra 2009; and Martinez-Mongay 2008).²³ The foundations of economic

²²According to the latest data (2007) from the *World Bank Governance Indicators* (http://info.worldbank.org/governance/wgi/sc_chart.asp), Spain is ranked in the 75-100th country's percentile ranks in control of corruption, government effectiveness, regulatory quality, rule of law, and voice and accountability.

²³ According to Martinez-Mongay and MazaLasierra, "The outstanding economic performance of Spain in EMU would be the result of a series of lucky shocks, including a large and persistent

growth were fragile because the country has low productivity growth (productivity contributed only 0.5 percentage points to potential GDP between 1998 and 2006) and deteriorating external competitiveness.²⁴ Over the last decade Spain did not address its fundamental challenge, its declining productivity, which has only grown an average of 0.3 percent in the last 10 years (0.7 percent in 2006), one whole point below the EU average, placing Spain at the bottom of the EU and ahead of only Italy and Greece (the productivity of a Spanish worker is the equivalent of 75 percent of a U.S. one). The most productive activities (energy, industry, and financial services) contribute only 11 percent of GDP growth.²⁵

Moreover, growth was largely based on low-intensity economic sectors, such as services and construction, which are not exposed to international competition. In 2006 most of the new jobs were created in low-productivity sectors such as construction (33 percent), services associated with housing such as sales and rentals (15 percent), and tourism and domestic service (30 percent). These sectors represent 75 percent of all the new jobs created in Spain in 2006 (new manufacturing jobs, in contrast, represented only 5 percent). The labor temporary rate reached 33.3 percent in 2007, and inflation is a recurrent problem (it closed 2006 with a 2.7 percent increase, but the average for that year was 3.6 percent), thus the inflation differential with the EU (almost 1 point) has not decreased, which reduces the competitiveness of Spanish products abroad (and consequently Spanish companies are losing market share abroad).²⁶

In addition, family indebtedness reached a record 115 percent of disposable income in 2006, and the construction and housing sectors accounted for 18.5 percent of GDP (twice the Eurozone average). House prices have risen by 150 percent since 1998, and the average price of a square meter of residential property went up from 700 Euros in 1997 to 2,000 at the end of 2006, even though the housing stock had doubled. Many wonder whether this bubble is sustainable.²⁷ The crisis that started in 2008 confirmed the worst fears.

40 to 60 percent of the benefits of the largest Spanish companies came from abroad. Yet, in the last few years this figure has decreased by approximately 10 percentage points, and there has been a decline in direct foreign investment of all types in the country, falling from a peak of 38.3 billion Euros in 2000 to

credit impulse and strong immigration, underpinned by some right policy choices. In the absence of new positive shocks, the resilience of the Spanish economy to the financial crisis might be weaker than that exhibited in the early 2000s. The credit impulse has ended, fiscal consolidation has stopped, and the competitiveness gains of the nineties have gone long ago”

²⁴ “Fears of Recession as Spain Basks in Economic Bonanza,” in *Financial Times*, Thursday, June 8, 2006.

²⁵ “Los expertos piden cambios en la política de I+D,” in *El País*, Monday, December 18, 2006.

²⁶ Angel Laborda, “El comercio en 2006,” in *El País*, Sunday, March 11, 2007, p. 20.

²⁷ Wolfgang Munchau, “Spain, Ireland and Threats to the Property Boom,” in *Financial Times*, Monday, March 19, 2007; “Spain Shudders as Ill Winds Batter US Mortgages,” in *Financial Times*, Wednesday, March 21, 2007.

16.6 billion Euros in 2005.²⁸ The current account deficit reached 8.9 percent of GDP in 2006 and over 10 percent in 2007, which makes Spain the country with the largest deficit in absolute terms (86,026 million Euros), behind only the United States; imports are 25 percent higher than exports and Spanish companies are losing market share in the world. And the prospects are not very bright. The trade deficit reached 9.5 percent in 2008.²⁹

While there is overall consensus that the country needs to improve its education system and invest in research and development to lift productivity, as well as modernize the public sector, and make the labor market more stable (i.e., reduce the temporary rate) and flexible, the government has not taken the necessary actions to address these problems. Spain spends only half of what the Organization of European Cooperation and Development (OECD) spends on average on education; it lags most of Europe on investment in Research and Development (R&D); and it is ranked 29th by the UNCTAD as an attractive location for research and development. Finally, other observers note that Spain is failing to do more to integrate its immigrant population, and social divisions are beginning to emerge (see Calavita 2005).³⁰

By the summer of 2008 the effects of the crisis were very evident, and since then the country has suffered one of the worst recessions in history, with unemployment reaching over 18 percent at the end of 2009, and more than 4.2 million people unemployed. This collapse was not fully unexpected. The global liquidity crisis caused by the subprime, and the surge in commodities, food, and energy prices brought to the fore the imbalances in the Spanish economy: the record current account deficit, persisting inflation, low productivity growth, dwindling competitiveness, increasing unitary labor costs, excess consumption, and low savings, had all set the ground for the current devastating economic crisis (see Royo 2009).

Portugal: The Consequences of ‘Chronic Fiscal Misbehavior’

Portugal’s economic performance was also remarkable in the 1990s. Between 1994 and 2000 real GDP growth, export-led but also boosted by private consumption and fixed investment, averaged more than 3 percent annually and economic expansion continued for seven years. In 1996, the fifth year of expansion, GDP growth reached almost 4 percent, and in 2000 3.25 percent. The unemployment rate also fell, reaching a record low of around 4 percent in 2000 (one of the lowest in Europe), and inflation was brought down to just over 2 percent in

²⁸ “Spanish Muscle Abroad Contrast with Weakening Status among Investors,” in *Financial Times*, December 11, 2006.

²⁹ “La Comisión Europea advierte a España de los riesgos de su baja competitividad,” in *El País*, February 4, 2007.

³⁰ “Zapatero Accentuates Positives in Economy, but Spain Has Other Problems,” in *Financial Times*, April 16, 2007, p. 4.

1999. Portugal was also able to meet the Maastricht criteria for fiscal deficit following the consolidation efforts prior to 1997, which brought the deficit down to 2.5 percent of GDP. One of the important factors that contributed to this performance was the transformation of the financial sector, largely spurred by EU directives in interest rate deregulation, liberalization of the regulatory framework, privatization, and freeing of international capital movements (OECD 1999, 13). The privatization program, one of the most ambitious in Europe at the time (more than 100 firms were sold), was also a contributing factor because it increased competition and enhanced productivity gains, and generated revenues that averaged more than 2 percent of GDP per year.

The performance of the labor market was also very satisfactory, particularly compared with Spain (see Table 7). Real wage flexibility facilitated labor market adjustments, and access to atypical forms of employment, such as self-employment, made it possible to circumvent rigid regulations. In addition, regulatory reforms and new policy initiatives contributed to improve education and training; modified the legal regime governing redundancies, and reduced the compensations that companies have to pay to dismiss workers; changed the unemployment benefit system to avoid the unemployment “trap,” and the social security contributions for self-employed were brought into line with those for employees (OECD 1999, 16-17). A high degree of wage flexibility, active employment policies, and the increasing use of more flexible forms of employment, such as fixed-term contracts, were all credited for the low unemployment (4.0 percent in 2000, down from 7.3 percent in 1996) and relatively high employment rates (the participation rate was 71.3 percent by 2000). Moreover, the concentration policies of the 1990s contributed to social peace and wage moderation. For instance, in the Social Pact of 1996 management and labor reached binding commitments that facilitated reforms and wage restraint (Royo 2002). Yet, the economic boom pushed wages up, and since 1999 there was increasing wage drift, which hindered competitiveness.

However, starting in 1998 this performance started to deteriorate. The disinflation process was halted and inflation increased 2.8 percent by the end of that year fuelled by inflation and the Expo 98; and the trade deficit deteriorated from 5.4 percent of GDP in 1997 to 6.6 percent in 1999. The harmonized CPI reached over 4 percent in early 2001, above the EU average, pushed by higher oil prices and a weaker Euro. Furthermore, economic growth also started to slow, dragged down by the ending of major infrastructure projects and Expo 98. The outset of EMU membership led to a progressive easing of monetary conditions and a sharp decline of interest rates. This happened, however, at a time of high consumer demand in which domestic credit was also booming and the current account deficit was widening (it remained at around 10 percent of GDP up to 2002). Access to EMU in 1999 did not alleviate the situation because Portugal was in a more advanced position in the cycle than the other EMU member states

(the country was experiencing a credit boom and signs of overheating were starting to emerge), but now monetary policy was in the hands of the European central bank, and it was making decisions based on developments in the entire EMU area, hence the cut in interest rates in April of 1999 (OECD 1999, 10-11). Indeed, there was change of conditions as the tightening of monetary conditions after the ECB started to gradually raise rates from November 1999 on.

Furthermore, the end of the decade, which coincided with the country's accession to EMU (e.g. the pressure to fulfill the Maastricht criteria was no longer a powerful incentive), also witnessed a slowdown in the fiscal consolidation efforts, which had led to the successful reduction of the fiscal deficit between 1994 and 1997 (there was an annual reduction of almost 1.2 percentage points, and the deficit was reduced to 2.5 percent by 1997). Yet about half of this fiscal adjustment was the result of the reduction of the public debt burden facilitated by the lower interest rates and non-recurring receipts (such as the sale of mobile concessions in 2000). As a matter of fact, the primary surplus increased half a point per year between 1994 and 1997. On the contrary, there was no increase of taxes, or increases in revenues as the result of improvements in the collection of taxes or social security contributions. Moreover, current expenditures on education, health, and social protection increased steadily (OECD 1999, 11). This procyclical policy stance did not bode well for the subsequent slowdown of the economy because Portugal was left with little fiscal leeway to apply countercyclical measures once the crisis hit. In order to improve the margin of maneuver, Portugal should have reduced the weight of the public sector and also implemented structural reforms to check the growth of current expenditures, which would have allowed for a reduction in tax pressure. The country would have needed a significant surplus to ensure balance for the budget over the cycle, but unfortunately this did not happen.

Indeed, in the context of EMU, fiscal policy was the main instrument available to the government to dampen demand pressures and bring the current account deficit (8 percent of GDP in 2002) and inflation (over 3.8 percent) down. Yet, while the general government deficit continued to decline in accordance with the Stability and Growth pact (SGP), and fell below 3 percent of GDP in 2000, the pace of fiscal consolidation was slow and the gains from lower debt payments and higher revenues were used to increase primary current spending. Given the inflationary pressures and the advanced stage of the economic cycle, fiscal consolidation would have helped to control demand pressures. Increasing taxes was not an attractive option because, although the overall tax burden (at 34 percent in 2000) was comparatively low, it would have been difficult politically, and also it risked eroding the export-oriented growth and harming the country's competitive position. Therefore, in order to meet budget deficit targets, the government became accustomed to implementing spending freezes. But it failed to address the structural causes of spending overruns: the public sector payroll bill (spending per employee had been growing rapidly due to high wage increases

and pension benefits); and pressures in the social security system caused by population ageing. On the contrary, it continued to rely on increases in current revenue, as opposed to significant progress in spending control, and when these did not materialize, it adopted contingency measures to reduce expenditures, which showed fundamental weaknesses in the budget process (OECD 2001, 12). This would prove to be a major Achilles heel for the sustainability of economic growth.

In the end, economic performance started to deteriorate markedly after 2000. Real GDP growth averaged less than 1 percent between 2000 and 2005 (in 2003 the economy contracted 0.8 percent), and annual growth remained fragile until 2006. In 2005 the Portuguese economy grew a meager 0.91 percent of GDP, and in 2006 1.3 percent as a result of the depression of demand (consumption is one of Portugal's important pillars of economic growth but it grew only 2.3 percent in 2004, 2.1 percent in 2005, and 1.1 percent in 2006), and in particular of private demand given the few incentives on consumption (it grew 0.2 percent in 2004, decreased 3 percent in 2005, and grew only 0.8 percent in 2006); as well as investment, which was pushed down as a consequence of the restrictions on public spending and the increase of taxes to bring down the deficit. The accumulated output gap since the recession was one of the largest in the Euro area, and productivity growth in the business sector fell to around 1 percent between 2004-05 (it was 3 percent in the 1990s). Unemployment also increased sharply, reaching 7.6 percent in 2005 and 8 percent in 2007, the highest rate in 20 years (it was only 3.8 percent in 2000) (IMF World Economic Outlook 2009).

The recession was far longer and more intense than anyone anticipated, with a dramatic impact on the government accounts: the fiscal deficit reached unsustainably high levels (see Table 8), pushed by the bill from organizing the European Championship Cup in 2004, which left no room to stimulate demand and thereby contributed to the length of the crisis. The government attempted to reduce the fiscal deficit by raising indirect taxes and establishing emergency spending cuts or freezes, and one-off decisions, such as measures to control the wage bill over the short-term. However, while these measures helped to reduce the deficit in the short-term (and it was brought down to 2.8 percent in 2003), they proved insufficient because of the lower revenues at a time of a depressed economic environment (it went up again to 6.1 percent in 2005). Portugal had violated the SGP during several years (see Table 8), as it had remained above the maximum 3 percent deficit established by the SGP, and therefore it was submitted to the excessive deficit procedure, which further hindered confidence and dampened expectations. Public debt also deteriorated: it grew from 53 percent of GDP in 2000, to 65.9 percent in 2005, and decreased to 60 percent in 2006; as well as capital fixed formation, which fell 2.9 percent in 2005, 0.7 percent in 2006 and grew 2.8 percent in 2007. The country also suffered a decline in investment and savings. The investment rate fell from a peak of 28.1 percent of

GDP in 2000 to 20.6 percent in 2006, while the gross savings rate fell from 17 percent in 2000 to a pale 12.3 percent in 2006, bouncing back a bit in 2007 to 15.1 percent (OECD 2006).

In the end, the reliance on one-off measures, however, did not address the structural reasons for the deficit, and also reduced the necessary sense of urgency to tackle structural reforms. For instance, once the deficit was below 3 percent, the government decided to lower taxes rapidly, despite the fact that the situation had not improved much. Three of the fundamental challenges were: first, the reform of the civil servants pension system and the need to bring it into line with the general pension system (the system was under strong pressure from the ageing population, and also by the high replacement rates granted to pensioners: it was estimated that lack of action would bring the system into deficit by 2007); second the reform of the health system; and finally the reform of the public administration to align legal condition of employment, and remuneration with the private sector, and restructure the central administration (OECD 2006).

The victory of the Socialist Party in the 2005 election brought in a new government committed to implementing the structural reforms needed to bring the deficit below 3 percent by 2008. Indeed, the new government pushed for important structural reforms and implemented tough decisions. Upon taking office in March 2005, Prime Minister Sócrates announced the immediate increase of the value added tax by 2 percent, breaking his electoral commitment not to increase taxes, in order to cope with the budget deficit. Moreover, in the face of strident opposition from labor unions and organized interests, his government pushed for the reform of the public sector and the civil servants, and an extensive restructuring of Portugal's state bureaucracy, increasing the retirement age to 65 years and eliminating traditional benefits such as vacations, automatic promotions, and corporative medical insurance. One of the main goals of this reform according to Fernando Teixeira dos Santos, Finance Minister, was that "from now on, governments will be able to run the public administration in accordance with the demands of public management and not, as it has been in the past, the other way around."³¹

The government also approved a comprehensive pension reform plan in the summer of 2005, which sought to address the combined threat of a sharp decline in birth rates, which had fallen 35 percent over the last 30 years (from 2.6 to 1.5), and increased longevity (people over 65 years old are forecast to comprise more than 32 percent of the population in 2050, compared to 17 percent in 2005). As a result, the pension system posed a serious structural challenge: Portugal has 1.7 million pensioners, 1.1 million of which receive less than 375 Euros per month, but pensions in Portugal were in 2006 among the most generous in

³¹Interview in *Financial Times*, See "On the tipping point of transition," and "Tough cuts to strengthen confidence," in *Financial Times*, Tuesday April 8, 2008, p. 1-2 (special section on *Investing in Portugal*).

the European Union, often reaching more than 100 percent of an employee's final salary, and the system was expected to face financial collapse by 2015. It was estimated that pension expenditures would grow from 5.5 percent of GDP in 2006 to 9.6 percent by 2050. Based on this reform workers have the choice of working longer or increasing their pension contributions, and includes a "sustainability co-efficient" that will be used to adjust pensions according to life expectancy during the working life of contributions (for instance, it would decrease pension about 5 percent if the life expectancy were to increase by one year over the next decade). At the same time, in order to increase Portugal's birth rate, the reform also establishes a new system under which pension contributions are calculated as a percentage of earnings according to the number of children employees have: contributions would remain unchanged for employees with two children, decrease if they have more than 2, and increase if they have less. Finally, the system establishes a radical change in the way pensions are calculated: before the reform only the 10 best years of the last 15 years of an employee's working life were taken into account to calculate the pension, after the reform the pension would be calculated using the whole working life of the contributors. According to some estimates, as a result of these reforms, most pensions are expected to be reduced by at least 10 percent for people retiring over the next 20 years and will hit high earners the hardest. These reforms, which came into force in 2006, are expected to guarantee the sustainability of the system up to 2050 and beyond.³²

The Sócrates government also carried through an ambitious privatization plan that sought to raise 2.4 bn Euros from the sale of public enterprises between 2006-2009, including the three leading public energy groups (GALP, EDP, and REN), the paper sector (PortucelTejo, Portucel, and Inapa); as well as the Portuguese flag airline company (TAP) and the national airport company (ANA). This was quite exceptional coming from a Socialist government, especially in light of the long-standing opposition to the privatization of companies that have been declared "untouchable" for years. The aim of this decision was to reduce the public deficit and the role of the state in the economy, which in 2006 still had direct participation in 150 companies.

Education reform has also been high on the agenda. Education attainment is a huge problem in Portugal and its low level has hindered competitiveness and productivity (see below). The government decided that "it cannot wait for the next generation to replace the current workforce" in the words of Prime Minister Sócrates, and therefore it tried to provide education and training for people currently at work, with the aim "to have a million more employees with an educational level equivalent to full secondary schooling." In order to achieve this goal, the government introduced a new program called "New Opportunities"

³² See "Child-free to pay more under Lisbon pension reform," in *Financial Times*, May 5th, 2006; and "Portugal reducirá las pensiones para evitar la quiebra," in *El País*, May 16, 2006.

that seeks to encourage adults to complete their secondary education. It also provides vocational training for youngsters. The initial results were very encouraging: it attracted 250,000 applicants within three months of its launch in early 2007.³³

The government also tried to counter the opposition to these reforms with an ambitious infrastructure plan that would have cost over 50 bn Euros (only 8 percent from public funds, the rest will be from private funding and mixed concessions), and included the constructions of new airports (Lisbon, Alcochete); the building of new dams (one of the cornerstones of the government's energy policy to reduce oil dependency) and highways (there are 11 new tenders); new high speed trains (AVE Porto-Lisbon, and Lisbon-Madrid which also involves a new bridge over the Tagus river); as well as other projects in the private sector, such as a new refinery in Sines (4 billion Euros); a Volkswagen manufacturing plant in Palmela to produce the VW models Siroco and Eos (750 million); new tourist resorts in Melides (510 million) and Troia (500 million); a new paper plant in Figueira da Foz (500 million); a new furniture plant and new Ikea shops (350 million), and a new Corte Ingles commercial center in Gaia (150 million), which are expected to generate billions of Euros in investment and employment. The most ambitious proposal, however, is the Technological Plan to advance the EU Lisbon Agenda in Knowledge, Technology, and Innovation. The government is committed to install broadband in all Portuguese schools, and has signed an innovative agreement with MIT,³⁴ and another one with Bill Gates to facilitate the learning of computing to one million Portuguese.³⁵

In the end the combination of fiscal consolidation (the ratio of public spending to GDP fell from an excessive 47.7 percent of GDP in 2005 to 45 percent in 2008), structural reforms, and increasing revenues from stronger economic growth have all helped Portugal to bring the deficit back under control: The

³³From "Lisbon leads the Union while lagging in performance leagues," in *Financial Times*, July 3rd 2007, p.4.

³⁴The agreement with MIT provides for long-term collaboration to expand research and education in Portugal in the fields of engineering systems, in areas such as energy, transportation, information systems, and telecommunications. In September of 1996 160 students started Ph.D.s and other advanced degree programs, which have targeted bio-engineering systems, engineering design, advanced manufacturing, sustainable energy, and transportation systems. The government is investing 80 million euros in the first five years of the MIT program. More than 20 companies have already signed up to the project's industrial affiliates program. This program illustrates the commitment of the Portuguese government to science and technology, and higher education: it has increased the budget of its ministry by more than 60percent at a time in which it was cutting expenses in every other ministry. See "Strategic step with lasting impact," in *Financial Times*, Tuesday April 8, 2008, p. 4 (special section on *Investing in Portugal*).

³⁵See "Portugal ingresara 2,4000 millones con la venta de empresas públicas," in *El País*, February 20, 2006, and "La nueva cara de Portugal," in *El País*, June 29, 2008. It is important to note, however, that some of these initiatives were real investments (Corte Ingles in Gaia, for instance), while others were previous investments (automobile plants in Palmela), and other mere plans (Ave, the new airports).

Socrates government, which inherited a deficit of 6.8 percent of GDP from the previous administration, has been able to bring its budget deficit below the maximum limit allowed by the EU a year ahead of schedule, after achieving a larger cut than forecast in 2006. The deficit fell to 3.9 percent of GDP in 2006, 0.7 percentage points lower than the 4.6 percent target agreed with the European Commission as part of the plan to avoid the sanctions hanging over the country for breaching the SGP. In 2007, one year ahead of schedule, the deficit fell to 2.5 percent, below 3 percent (well down from the initial goal of 3.7 percent) and the lowest level since 2000. More importantly this reduction was achieved not only through *ad hoc* cuts, although the government had to apply severe cuts in public spending and investment, but largely through structural reforms and a sharp increase in tax revenues (after the government recruited a private sector banker to spearhead the crackdown on tax evasion), which will make it easier to consolidate the gains.

The government was also relatively successful in its attempt to bring down inflation, which decreased from 4.41 percent in 2001, to 2.1 percent in 2005 (but it grew to 3 percent in 2006). Other economic indicators also improved markedly: exports (which represent 20 percent of GDP) increased 8.9 percent in 2006 and 6.2 percent in 2007, and 5.6 percent in 2008; fixed capital formation also increased 2.5 percent in 2007 (it fell 1.6 percent in 2006); as well as consumption, which grew 1.5 percent in 2007. Unemployment, however, is still a challenge: despite the creation of more than 100,000 jobs since 2005, it rose from 6.25 percent in 2003 to 7.65 percent in 2006, and the unemployment rate more than doubled between 2000 and 2007 (from less than 3.9 percent to 8 percent). Finally, stronger economic growth resumed: in 2006, the economy grew 1.3 percent, and in 2007 1.8 percent, the highest rate in six years. This sudden and unexpected turnaround since 2006 took many economists by surprise. Yet, growth was negative again in 2008 at -0.045 percent, led by the effects of the global economic crisis, which have forced the government to adopt new measures to address it, including the so-called *Robin Hood Tax* an exceptional tax of 25 percent for the oil companies to fund social expenditures,³⁶ and the reduction of taxes (the IRS) for housing purposes for the population in the lower tax brackets, as well as a modification of the maximum rates of the municipal real estate taxes.³⁷

³⁶ The tax would be applied at a rate of 25 percent on the oil stocks of oil producing and distributing companies. The oil tax was expected to raise 100 million euros in revenues for the government in 2008. In the end, however, declining global oil prices, combined with the fact that Portugal imports most of the oil that it consumes and that it cannot tax producers in other countries, means that the long-term overall impact of this tax is likely to be more modest.

In fact, Italian oil companies' profits have been declining, not rising.

³⁷ "Liberando el lastre," in *El País*, March 9, 2008, p. 20-N; "Portugal sufre mal de ojo," in *El País*, May 4, 2008, p. 40-N; and "Un impuesto 'Robin Hood' en Portugal," in *El País*, July 20, 2007.

After the Fiesta: The Global Crisis Hits Iberia

When the global financial crisis hit both countries, starting in the winter of 2008, they were in different positions. As we have seen, while Spain was ending one of the most successful economic periods in the country's modern history, Portugal was just coming out of a recent recession. In addition, whereas Spain was (at least theoretically) in an enviable fiscal situation, Portugal was still struggling with its fiscal problems. Yet, despite these different starting points the intensity of the crisis has been such that it has had devastating consequences for both countries and it has brought to the fore the imbalances and shortcomings of both economies.

In the case of Spain the imbalances that were outlined in the previous section roared to the fore in 2007-08 when the real-estate market bubble burst and the international financial crisis hit Spain. In just a few months the 'debt-fired dream of endless consumption' turned into a nightmare. Spain is facing (as of summer of 2010) the worst economic recession in half a century. According to the government data 2009 was the worst year in recent economic history, and the worst since there has been reliable data: GDP fell 1.6 per cent (three point less than the previous year), unemployment reached over four million people (or close to 20% per cent of the active population), and the public deficit reached a record 11.4% of GDP (up from 3.4% in 2008). Consumer confidence has been shattered, the implosion of the housing sector has reached historic proportions and threatens to extend for several years, and the manufacturing sector is also suffering.

Initially, the government was reluctant to recognize the crisis, which was becoming increasingly evident as early as the summer of 2007, because of electoral considerations: the country had general elections in March 2008. And after the election, it was afraid to admit that it had not been entirely truthful during the campaign. While this pattern has been quite common in other European countries, the increasing evidence in Spain that the model based on construction was already showing symptoms of exhaustion in 2007 compounded it. Yet, the Spanish government not only refused to recognize that the international crisis was affecting the country, but also that in Spain the crises would be aggravated by the very high levels of private indebtedness. As late as 17 August 2007, Finance Minister Solbes predicted that 'the crisis would have a relative small effect' in the Spanish economy. When it became impossible to deny what was evident, the government's initial reluctance to recognize and address the crisis was rapidly replaced by frenetic activism and the introduction of a succession of plans and measures to try to confront it, and to address the unprecedented dramatic surge of unemployment (see Royo 2009).

The sharp deterioration of the labor market has been particularly striking. It has been caused by the economic crisis and the collapse of the real estate sector and it has been aggravated by a demographic growth pattern based on huge mi-

gratory flows: in 2007 there were 3.128 million immigrants in the country, of which 2.745 were employed and 374,000 unemployed. In 2008 the number of immigrants increased by almost 400,000, to 3.523 million (representing 55 per cent of the growth of the active population), but 580,000 of them were unemployed (and 2.943 million employed), an increase of 200,000. To place these figures in perspective, in October of 2008 the number of unemployed among Spaniards increased by 400,000 while the number of employed, contrary to what happened with the immigrants, decreased by 130,000. Only in the construction sector, unemployment increased 170 per cent between the summer of 2007 and 2008, and the manufacturing and service sectors (also battered by the global crisis, lower consumption, and lack of international competitiveness) have been unable to incorporate these workers (Wart 2008).

There is general consensus that the Spanish government was slow to recognize and react to the crisis. As a result, a few precious months were lost and the government prepared a budget for 2008 and 2009 that were utterly unrealistic based on the rapidly deteriorating circumstances. As a matter of fact, as late as 2010, things are still getting worse. The most significant decline has been in consumers' confidence, which has been hammered by the financial convulsions, the increase in unemployment, and the scarcity of credit. As a result, household consumption, which represents 56 per cent of GDP, fell one per cent in the last quarter for the first time in the last 15 years, contributing sharply to the deterioration of economic conditions. According to the Bank of Spain, this decline in household consumption has been even more important in the recession than the deceleration of residential investment, which has also fallen 20 per cent, driven down by worsening financial conditions, uncertainties, and the drop in residential prices. So far the government actions have had limited effect stemming this hemorrhage and their efficacy has been limited. In the case of Portugal, by the time the global crisis hit, the country was already encumbered (in 2009) by high debt (90% of GDP) and high public deficit (9.3%), weak competitiveness, high unemployment (10.5%) stagnant growth (it contracted by 2.7%), and low savings rates (7.5% of GDP vs. 20% in Spain) [which a better proxy to measure a country's ability to pay down its debt than the debt-to-GDP ratio]. As opposed to Spain, which had benefited as we have seen from the decrease in interest rates and had experienced a long period of growth, Portugal's growth rates had been stagnant and it did not benefit from a housing or consumer boom.

Yet, while it avoided the property market collapse that Spain has faced (the construction boom added 2.8 million houses over five years, of which only 1.5 million were sold according to Morgan Stanley); the country is suffering from the mismanagement of public finances: its budget deficit rose to 9.3% of GDP in 2009, from 2.3% in 2008. Indeed, despite the structural reforms that Portugal undertook in recent years to reduce the public sector, raise the retirement age and change the social security system, which were outlined in the previous

section, the global crisis precipitated a serious financial/fiscal crisis: the increasing cost of financing the debt and the mounting difficulties to generate tax revenues made it difficult to meet the country's fiscal obligations, thus forcing the government to implement tough austerity measures cutting spending and raising taxes. Despite these tough measures the country could not avoid having its debt downgraded by ratings agencies (Fitch and Standard & poor) over doubts about its ability to cut its deficit to sustainable levels, and over comparisons with Greece's situation. Consequently the country's borrowing costs have soared.

The deteriorating fiscal situation and markets' doubts have been compounded because of the country's loss of competitiveness since it joined the Euro in 2000: Portugal, which has largely based its economy on low labor costs, was hit hard by the eastward expansion of the EU and the loosening of trade barriers with Asia. Hence, Portuguese exporters have been losing market share since it joined the Euro, which forced the government to borrow from abroad to finance its balance of payment deficit, and thus increasing the debt.³⁸ To make matters worse, concerns about the government's ability to confront the crisis (it lost its absolute majority in the last election in 2009), intensified by the pressures that it faces as it tries to reduce public spending.

In the end, the crisis has exposed the weaknesses of both countries' economies and their respective economic models. Indeed, despite the last two decades' significant progress and achievements, the Portuguese and Spanish economies still face serious competitive and fiscal challenges. Unfortunately, the economic success of both countries appears to have fostered a sense of complacency, which allowed for a delay in the adoption of the necessary structural reforms. And this was not a surprise; some economists have noted that "the Spanish economy is living on borrowed time."³⁹ Indeed, despite all the significant progress accomplished during the past two decades, both Portugal and Spain still have considerable ground to cover to catch up with the richer EU countries and to improve the competitiveness of their economies. Given the existing income and productivity differentials with the richer EU countries, Portugal and Spain have to continue and intensify the reform process.

The experience of both countries shows that EU and EMU membership have not led to the implementation of the structural reforms necessary to address

³⁸ The Portuguese parliament voted on March 25, 2010 a four year austerity program that aims at lowering the deficit to 2.8% of GDP in 2013, a cut of about 9bn euros. Measures included a public sector wage freeze, military spending cuts and tax cuts. On May 13 the government announced yet another tax increase and budget cuts to save 2.1bn euros and reduce in 2010 the deficit to 7.3% of GDP (down from the current 9.3%). As opposed to Spain where the government has struggled mightily to get support from other parties, these measures had the support of the leading opposition party, the Social Democratic Party. The government increased the VAT by 1%, income taxes by 1% for workers who make 2,375 euros monthly and 1.5% to those who make more than that. The government also announced additional corporate taxes (2.5% to large companies and banks), an increase of capital taxes of 1.5% and the introduction of tolls in free highways.

³⁹

these challenges. On the contrary, particularly in the case of Spain, EMU has contributed to the economic boom and a real state bubble (estimated at 30% real) fueled by and record-low interest rates, thus facilitating the postponement of necessary economic reforms. This challenge however is not a problem of European institutions, but of national policies. Indeed, the process of economic reforms has to be a domestic process led by domestic actors willing to carry them out. The experience of the Iberian countries offers insightful lessons for other countries. To these lessons we turn in the next sections.

Iberian Lessons

As we have seen despite significant progress, both countries still face significant economic challenges. Their integration into the EC/EU provides useful feedback for other countries.

Membership Supports Modernization

Membership may give countries a better competitive position. Indeed, EU integration has been a catalyst for the final conversion of the Portuguese and Spanish economies into modern Western-type economies. The idea of Europe became a driving force that moved reforms forward, and it was a fundamental factor in bringing together political stabilization and economic recovery. One of the key consequences of the Iberian countries' entry into the European Union has been that it has facilitated the modernization their economies, as well as the implementation of the micro and macro-economic reforms that successive Portuguese and Spanish governments undertook throughout the 1980s and 1990s (Tovias 2005). In a context of strong support among Iberian citizens for integration, membership became a facilitating mechanism that allowed successive governments to prioritize economic rather than social modernization and hence, to pursue difficult economic and social policies (i.e., to reform their labor and financial markets), with short-term painful effects. Moreover, as a result of enlargement Portuguese and Spanish producers gained access to European and world markets, this provided additional incentives for investment and allowed for the development of economies of scale. This has resulted in increasing competitiveness (albeit with the problems outlined previously), which has contributed to attract investment and has helped to build new industries.

Nominal Convergence Takes Place Faster than Real Convergence

Spain and Portugal's economic record also shows that nominal convergence is faster but that real economic convergence is a slow process (Tovias 2005).⁴⁰ The process of financial liberalization, economic reforms, and the significant decline in real interest rates permitted Portugal and Spain to meet the Maastricht convergence criteria. Hence, on January 1st, 1999 both countries became founding members of the European Monetary Union and both, which as late as 1997 was considered an outside candidate for joining the Euro zone, fulfilled the inflation, interest rates, debt, exchange rate, and public deficit requirements established by the Maastricht Treaty. This development confirmed the nominal convergence of the country with the rest of the EU. Yet, while nominal convergence has largely taken place, the income levels of Portugal and Spain have increased at a much slower pace and, in particular for Portugal they remain far behind the EU average:

Table 2 : Divergence of GDP per Capita 1980-2006

	1980	1985	1990	2000	2007
EU Totals	100.0%	100.0%	100.0%	100.0%	100.0%
Spain	74.2	72.5	77.8	81.0	98.0
Portugal	55.0	52.0	55.7	74.0	70.0

Source: European Union.

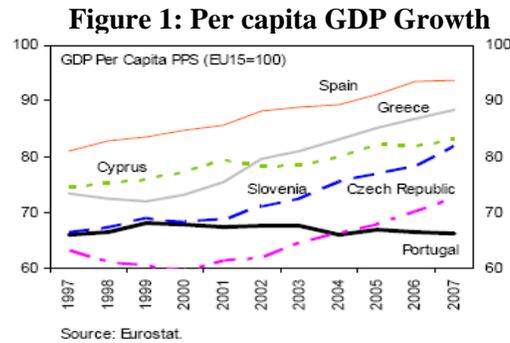
Table 3: Annual Growth in Real GDP per Person Employed (1995 prices)

	1961-73	1974-86	1987-2000
Spain	6.5	3.1	1.2
Portugal	6.6	3.0	2.6
Greece	9.1	0.8	1.5
Ireland	4.2	2.7	3.0
EU-15	4.4	2.0	1.7

Source: Barry 2003, p. 3.

This data shows that nominal convergence has advanced at a faster pace than real convergence. Indeed, twenty years have not been long enough. Portugal and Spain's European integration has revealed both convergence and divergence, nominal and real. Since 1997 inflation in Spain has exceeded the EU average every year. In Portugal real convergence has been slowing down each year since 1998, actually turning negative in 2000 and with both real and nominal divergence decreasing until 2006.

⁴⁰While there is significant controversy over the definition of real convergence, most scholars agree that per capita GDP is a valid reference to measure the living standards of a country.



While there is significant controversy over the definition of real convergence, most scholars agree that a per capita GDP measured in purchasing power parities is a valid reference to measure the living standards of a country. This variable, however, has experienced a cyclical evolution in the Iberian countries with significant increases during periods of economic expansion and sharp decreases during economic recessions. In the first 15 years since the adhesion of Spain to the EU in 1986 per capita income has increased "only" 11.5 percent and Portugal's 14.2 percent. Ireland's, in contrast, has increased 38 percent. Only Greece with an increase of 6.8 percent has had a lower real convergence than Spain and Portugal.

A possible explanation for this development has been the fact that while Spain has grown between 1990 and 1998 an annual average of 2.1%, Portugal has grown 2.5% and Ireland 7.3% over the same period. This growth differential explains the divergences in real convergence. Other explanations include: the higher level of unemployment (15.4 percent in Spain in the mid-1990s); the low rate of labor participation (i.e., active population over total population, which stands at 50 percent, which means that expanding the Spanish labor participation rate to the EU average would increase per capita income to 98.2 percent of the EU average); the inadequate education of the labor force (i.e. only 28 percent of the Spanish potential labor force has at least a high school diploma, in contrast with the EU average of 56 percent); low investment in R&D and information technology (the lowest in the EU, with Spain ranked 61-spending even less proportionally than many developing countries including Vietnam-in the World Economic Forum's *Global Report of Information Technologies 20002-2003*); and inadequate infrastructures (i.e. road mile per 1000 inhabitants in Spain is 47 percent of the EU average and railroads' 73 percent). The inadequate structure of the labor market with high dismissal costs, a relatively centralized collective bargaining system, and a system of unemployment benefits that guarantees in-

come instead of fostering job search, have also hindered the convergence process.⁴¹

GDP per capita measured in Purchasing Power Parities increased significantly in Portugal since its accession to the EU, increasing from less than 7,000 Euro per inhabitant in 1986 to 17,000 in 2006 (65% of the EU15 average). Moreover, with the exception of the 1992-94 period (when there was a recession), Portugal presented growth rates above the EU average, which contributed to the convergence process. However, from 2002 onwards the convergence pattern was interrupted, and since then growth has been below the EU average, thus diverging from the EU average.

More remarkable, however, is the fact that the performance of both economies was quite similar during the first 13 years that followed their accession.

Table 4: Components of Growth in income per Head, 1987-2000

	Greece	Spain	Ireland	Portugal	EU-15
Growth in income per head	1.7	3.0	5.6	3.6	1.8
<i>Components:</i>					
Growth in employment rate	-0.4	0.5	1.0	0.4	0.1
Growth in labor supply as % of population	0.6	1.3	1.5	0.6	-0.1

Source: Barry 2003, 12.

Indeed, between 1994 and 2000 the growth in income per head was of 3.1 percent in Spain and 3.1 percent in Portugal. Yet since then, instead of catching up, Portugal has been falling behind with GDP per capita decreasing from 80% of the EU25 average (without Bulgaria and Romania) in 1999 to just over 80% in 2006; and labor productivity, still at 40% of the EU average, has shown no growth since 2000. Portugal's per capita GDP has fallen far behind Spain, and since 2000, the Czech Republic, Greece, Malta, and Slovenia have all surpassed Portugal's. Moreover, Portugal was the first member of the European Monetary Union to be threatened with sanctions by the European Commission under the Growth and Stability pact (GSA) for violating the excessive deficit provisions. The country became, in the word of the *Economist*, "the new sick man of Europe." Spain soon joined that same category, as we have seen.

⁴¹From "La Convergencia Real a Paso Lento," in *El País*. Monday February 14th, 2000.

Migration Patterns Can Be Reversed

In addition, the Portuguese and Spanish experience also shows that patterns of migration can be reversed. Portugal (and Spain) was made to wait for accession in the 1980s, partly over immigration fears that never materialized. As in 1986, the new treaties of accession have established a period of seven years for the new member states of Central and Eastern Europe. Fears of uncontrolled migration were not substantiated after 1986 (or even after the seven-year transition period). On the contrary, as a result of improved economic conditions in the Iberian Peninsula, one of the key results of EU access was that by 1995 there were 100,000 fewer Spaniards and 110,000 fewer Portuguese living in other EU member states than before enlargement. Furthermore, the reverse process took place, with thousands of Europeans (particularly from Germany and Britain) migrating to Spain, many for the purpose of retirement; such concerns are likely to prove to be unfounded again.

Estimates differ on the extent of immigration from new Member States. Clearly, some countries such as the UK and Ireland (in the boom years) have experienced a greater influx from other countries. Spain has experienced inward migration from Romania and Bulgaria after their accession in 2007. In any case, in major host countries such as the UK, cultural similarities that the immigrants are general hard-working, filling gaps in the skills base of the economy and contributing to competitiveness. In any case, the continuing existence of language, cultural and structural barriers will most likely continue to limit labor mobility in an enlarged Europe. In addition, the rapid economic growth of Eastern European countries is likely to have the same effect that it had on migration patterns in Portugal after 1986. Given the EU's aging population and its low fertility rates it will be important to facilitate the migration of young people from Eastern Europe. Instead of displacing local people from the labor market or lowering wages, immigrants from the new member states can be expected to continue to contribute to the host country's economy by adding value, creating jobs and exerting some upward pressure on wages because they will be able to work legally (as several hundred thousand workers are currently illegally in the EU).⁴²

European Union Funds Did Help

During 1994-99, EU aid accounted for 1.5% of Spain's GDP and 3.3% of Portugal's. EU funding has allowed rates of public investment to remain relatively stable since the mid-1980s. The percentage of public investment financed by EU

⁴² See: "UK leads way on opening borders to new workers," in *Financial Times*, Friday, December 13, 2002, p.2; and 'Fears of big move west may be unfounded,' in *Financial Times*, Tuesday, December 2, 2002, p. 4.

funds has been rising since 1985, reaching average values of 42% for Portugal and 15% for Spain. Moreover, the European Commission has estimated that the impact of EU Structural Funds on GDP growth and employment has been significant: in 1999, GDP rose 9.9% in Portugal and 3.1% in Spain. These funds, which amount to just over one-third of the EU budget, have contributed significantly to reducing regional disparities and fostering convergence within the EU. As a result, major infrastructure deficits have been addressed and road and telecommunications networks have improved dramatically both in quantity and quality. In addition, increased spending on education and training have contributed to upgrading the labor force. In sum, these funds have played a prominent role in developing the factors that improve the competitiveness and determine the potential growth, especially in the least developed regions of both countries.⁴³ The new member states should not expect the same level of aid. Therefore, adjustment costs will become higher and it will take them longer to catch up.

EU Funds are not the Panacea

Indeed, receiving EU funds is by no means a guarantee of success. Ireland in the 1990s received a larger transfer per head than the other 3 cohesion countries (Greece, Portugal and Spain). Yet its GDP per head grew only from 52% of the French levels to 60% in 1990. Then in 2000 it passed France. Why did it take two decades to accomplish this goal? The key was the process of reforms of the 1990s. In Spain GDP per head grew from 62 to 74% and in Portugal from 53 to 69% of the French levels from 1986-01. Greece, for its part, received billions of Euros in EU funds but experienced more than a decade of decline after accession. While it had a higher GDP per head than Ireland until 1986 and a higher one than Portugal until 1987, by 2004 it was the EU poorest country. What really matters is not so much how much money you receive but how you spend it. This evidence illustrates that success is contingent on the effective use of regional projects and Structural Funds (i.e. transport projects). Spain is perceived as a case of success based on its regional policy and structural projects. Portugal, in contrast, has suffered from insufficient matching funds and deficits in administrative capacity, although the latter has almost certainly been a much more serious problem in Greece. This will be particularly critical for the new member states because they will have fewer resources available: The EU allocated only 10.3 billion euros for the new states for the first 3 years in regional aid and farm subsidies, and Poland has received 67 euros per capita and Hungary 49. In contrast, Greece

⁴³ See: Miguel Sebastian, "Spain in the EU: Fifteen Years May not be Enough." Paper presented at the conference *From Isolation to Europe: 15 Years of Spanish and Portuguese Membership in the European Union*. Minda de Gunzburg Center for European Studies, Harvard University. November 2-3, 2001; 25-26.

received 437 per head and Ireland 418, although these countries received significantly less when regional policy was introduced in 1989.⁴⁴

Success Is Not Automatic: The Key is to Exploit Membership's Opportunities

The experience of the Iberian countries also shows that while access to markets is important, EU membership is not enough. Success is not automatic. On the contrary it is largely determined by how countries exploit the advantages of membership, namely, access to EU markets and free movement of labor and capital. For instance between 1985 and 2002 the ratio of the stock of inward FDI to GDP grew in Spain from 5 to 33%; in Portugal from 19 to 36%; whereas in Greece it fell from 20 to 9%. In addition, fiscal and monetary discipline, planning, as well as market reforms are also critical. The countries that have performed the best within the EU are the ones that have followed this policy mix. This is so because stability influences the rate of growth and gives confidence to investors. For instance, Greece, one of the worst performers, ran fiscal deficits close to 10% until 1996, and its public debt increased from 48% of GDP in 1986 to 111% in 1996. On the contrary, in Ireland one of the best performers, the debt fell from 112% in 1987 to 38% by 2000. It is also critical not use funds to prevent economic reforms and support failing industries. The best models are Ireland with its investment in education (technical colleges), low corporate taxes, and flexible industrial relations; and Finland with its focus on innovation. Finally, it is also important to minimize expectations: Austria generated too many expectations to oversell EU membership to its citizens and when they failed to materialize, it created a backlash.

Focus on Dynamic Effects

While Portugal and Spain had feverishly pursued their integration into the Community, the effects of EU integration have not always been favorable. Indeed, in manufacturing and in agriculture there has been both trade diversion and trade creation, implying further adjustment problems, since greater import penetration led to a contraction in domestic production. This was particularly true in the case of the Portuguese and Spanish manufacturing sector. Factors such as exchange rate movements and the strategies of multinational companies with subsidiaries in the country also played a critical role in the final outcome of integration. This experience proves that the expected static effects, which were not always favorable to Portugal and Spain, should not be the main economic expect-

⁴⁴ See: "EU novices hope to roar like Irish 'Celtic tigers' rather than star in Greek tragedy," in *Financial Times*, Thursday April 22, 2004, p.3; and "Coming Together: a small step for Europe's economy but a giant leap for the continent," in *Financial Times*, Monday April 26 2004, p.11.

tation behind the Eastern European countries' entry to EU membership. Based on the Iberian experience, dynamic effects, on the contrary, provide an important rationale for supporting integration.⁴⁵ Over the long term, they will affect the new member states' rate of economic growth, which will be largely influenced by investment patterns, by the efficiency with which these additional resources are used and, finally, by their distributional effects among regions.

It is Essential to Prepare for EMU

The Iberian enlargement also shows that prior to monetary integration, candidates had to carry out a process of modernization and nominal convergence without fixing their exchange rate. An additional lesson is that the reform of financial institutions does not necessarily bring about institutional changes in other areas (e.g., the labor market and fiscal policies). The virtual collapse of the European Monetary System in 1992, caused in part by successive devaluations of the Iberian currencies, showed the limits of financial and monetary instruments in promoting institutional reforms in other areas and in balancing domestic and external economic objectives. Institutional reforms require active policies by the governments that are willing to pay the short-term political price for unpopular policies. The jury is still out regarding the domestic institutional impact of EMU.

Fiscal Discipline Matters

Lax monetary policies had played a significant role in the slowdown of the convergence process prior to EC accession (Barry 2003). Yet, since Spain and Portugal became founding members of EMU, monetary policies were no longer in the hands of their national governments and therefore could not account for differences in performance between both countries. However, different fiscal policies, within the constraints imposed by the Growth and Stability Pact (GSP), have played a central role. It is now widely accepted that disproportionate increases in government consumption adversely affect long-term growth, and also that while fiscal consolidation may have short-term costs in terms of activity, they can be minimized if consolidation is credible by implementing consistent decisions that deliver solid results.

Both the Portuguese and Spanish economies experienced a boom in the second half of the 1990s boosted by the considerable fall in interest rates, when nominal short-term interest rates converged to those set by the ECB. In both countries, they fell more rapidly than inflation, and their impact was further boosted by the simultaneous processes of financial liberalization and increasing competition that took place at the same time, which contributed to increase do-

⁴⁵ Static effects refer to trade creation and diversion, while dynamic effects refer to foreign direct investment.

mestic demand, and in particular housing demand. The expansion during these years was driven by internal demand. This boom coincided with a period of international expansion. This expansion, however, would have required a concomitant prudent fiscal policy, which in the case of Portugal did not take place. On the contrary, the cyclically adjusted primary balance fell from 1.2% of GDP in 1994-1996 to -0.6% in 1999-2001. The combination of expansionary fiscal policies and insufficient structural reforms did not prepare the country for the economic downturn.

Indeed, as we have seen in the previous section, one of the fundamental reasons for the poor performance of the Portuguese economy between 1999 and 2006 was the lack of fiscal discipline and the failure to adopt measures to control the deficit. Spain, on the contrary, was one of the more disciplined countries in Europe, or the world indeed, and was able to maintain a margin of manoeuvre that allowed fiscal policy to be used in a counter-cyclical way.

Table 5: General Government Balance Portugal, 2000-2008

	Units	Scale	2000	2001	2002	2003	2004	2005	2006	2007	2008
PORTUGAL	General government balance	Percent of GDP	-2.919	-4.268	-2.839	-2.882	-3.352	-6.124	-3.919	-2.585	-2.611

Source: International Monetary Fund, World Economic Outlook Database, October 2009

There is a widespread consensus that Portugal's biggest mistake was its "chronic fiscal misbehavior."⁴⁶ Vitor Constancio, governor of the Bank of Portugal, has acknowledged that "when in 2001 we had these big shocks to growth, tax revenues dropped and suddenly we were in a situation of an excessive deficit... The sudden emergence of budget problems led to a big revision of expectations about the future."⁴⁷ As we have seen, largely as a result of this revision of expectations, the Portuguese economy contracted by 0.8% in 2003. The deficit reduction, on the contrary is credited by Fernando Teixeira dos Santos, finance minister, with restoring "Portugal's credibility in international markets and strengthen confidence in the economy."⁴⁸ The improvement in the financial position of the budget allowed the government to cut the value added tax from 21 to 20% on July 2008 to stimulate the economy. Fiscal consolidation and structural

⁴⁶Martin Wolf, "Struggling to tackle bad fiscal behaviour," in *Financial Times*, Tuesday April 8, 2008, p. 1-2 (special section on *Investing in Portugal*).

⁴⁷"Concerns about divergence 'overlook ability to change'," interview with Vitor Constancio, Governor of the Bank of Portugal in *Financial Times*, May 16, 2008, p.2.

⁴⁸Interview in *Financial Times*, See "Tough cuts to strengthen confidence," in *Financial Times*, Tuesday April 8, 2008, p. 2 (special section on *Investing in Portugal*).

reforms will allow more robust growth and place Portugal in a better position to face the current global crisis caused by the US subprime crisis and international crunch, as well as the high prices of energy and commodities. Hence the Portuguese experience shows that for countries that want to join the Eurozone need to have a “comfortable budget position because that will give for maneuver once inside.”⁴⁹ Not surprisingly of the EU’s so-called cohesion countries, the ones that have done better in the last decade and a half have been those that have maintained fiscal discipline: Ireland, Spain and Greece, which have either maintained a budget surplus or reduced their budget deficits to comply with the SGP, while reducing their total expenditures vis-à-vis GDP. Portugal, as we have seen, was the exception.

Table 6: Fiscal Position Spain

Spain	1995	2000	2001	2002	2003	2004	2005	2006
Government deficits	-6.3	-	-	-	-	-	1.	1.
		0.885	0.518	0.291	0.048	0.155	1	8
Government debt	63.9	65	61.	52	48	46.	43	3
		.86	63	.5	.7	2	.1	9.7

Source: OECD.

Conversion Rates at the Time of EMU Accession Matter

In the case of Portugal, an economic downturn coincided with the country’s accession to the EMU, and the adoption of the Euro in 2002. EMU, however, cannot be blamed for the poor performance of the Portuguese economy. If that were the culprit, it would be hard to explain how the other EU cohesion countries performed much better. Yet, it is important to note that there was a significant difference in the conversion rate of the escudo vis-à-vis the Euro, which further hampered Portugal’s competitiveness (see GouchaSoares 2008, 5). When the national currencies were aligned to the Euro at the end of 1998 the Portuguese Escudo was fixed at 200 escudos, while the Spanish peseta was converted at a rate of 166 pesetas to one Euro). Yet, in the years previous to the final conversion of exchange rates there had been a significant devaluation of the peseta vis-à-vis the Euro: it had devalued about 30 percent, while the escudo had devalued only 12 percent (in the early 1990s the exchange rate was 128 pesetas for one Euro and 179 escudos to one Euro, respectively). In other words, the fixed exchange rate at which Spain joined EMU was significantly more favorable than Portugal’s from a competitiveness point of view. This problem was compounded by the appreciation of the real effective exchange rate in the 1990s due to wage increas-

⁴⁹“Concerns about divergence ‘overlook ability to change’,” interview with VítorConstancio.Governor of the Bank of Portugal in *Financial Times*, May 16, 2008, p.2.

es: while it depreciated by approximately 15 percent in Spain, in Portugal it appreciated by the same amount. According to the European Commission, the Portuguese real effective exchange rate is approximately 20 percent higher than it was in the early 1990s (while Spain's is at the same level). This is an important consideration when trying to account for the loss of competitiveness of Portugal.

EMU Membership Carries Risks

Portugal provides interesting insights into the pitfalls of integration into a monetary union. As noted by Vítor Constancio, Governor of the Bank of Portugal, one of the main lessons from Portugal's experience is that "countries used previously to high inflation and high interest rates are likely to experience an explosion in consumer spending and borrowing" upon joining the monetary union. This spurt will make a downturn inevitable, particularly in cases such as Portugal, that are vulnerable to higher oil prices and increasing competition from developing countries like India and China. In Portugal the strong demand stemmed from the sharp fall in interest rates and it was further fuelled by expansive fiscal policies. Demand, however, was not followed by a parallel increase in supply, as it was hindered by low productivity growth, which led to a significant increase in imports and high external deficits and debts. External indebtedness in turn has led to lower available income domestically.

For a decade, central and eastern European countries have seen EMU membership as a prize and have been willing to do anything to join. However, the current global financial crisis has exposed certain obligations that accompany EU membership. While Eurozone countries like Portugal, which no longer have the option to devalue their currencies, are undergoing significant fiscal tightening and a brutal internal devaluation: lowering real wages and prices to regain competitiveness and growth; non-Euro zone countries like Poland and the Czech Republic have allowed their currencies to fall (i.e. Poland's real effective exchange rate fell almost 20% between 2008 and 2009), thus helping to maintain their competitiveness and evading the worst effects of recession.⁵⁰

While these countries have currencies that are too small to thrive independently and they have high levels of Euro borrowing, there are potential lessons for future EMU applicants from Portugal's experience (Abreu 2006, 5). The most important lesson is that lower interest rates and the loosening of credit will likely lead to a credit boom, driven by potentially over-optimistic expectations of future permanent income, which in turn may increase housing demand and household indebtedness; and lead policy-makers to overestimate potential output and to adopt expansionary fiscal policies. The boom will also lead to higher wage

⁵⁰Neil Buckley, 'Eastern nations ready for long wait to tie knot with the Euro,' in *Financial Times*, May 24, 2010.

increases, caused by the tightening of the labor market, higher inflation and losses in external competitiveness, together with a shift from the tradable to the non-tradable sector of the economy, which would have a negative impact on productivity.

In order to avoid these risks new-entrant countries should tighten budgetary policies in the case of a boom in demand and/or strong credit expansion. At the same time, they should guard against potential overestimation of GDP, and measure carefully the weight of consumption on GDP, because they may inflate revenues in the short-term and create an unrealistic perception of the budgetary accounts. Furthermore, to avoid unsustainable external imbalances, countries should also carry out the necessary structural reforms to increase flexibility and productivity, in order to allow their productive sectors to respond to the increasing demand and to ensure that their economies can withstand the pressures of membership. They should also set wages based on Euro zone conditions to ensure wage moderation, and not on unrealistic domestic expectations (Abreu 2006, 5-6). New EMU members should also take the opportunity presented by the boom to move into higher value-added and faster growth sectors and towards a more outward-oriented production structure. Finally, the current global crisis has illustrated the need for tight financial supervision to avoid excessive lending and misallocation of resources.

Indeed, EMU membership is not a panacea. On the contrary, Sweden has been one of the most successful European economies during the last decade. Much of the credit can be attributed to the structural reforms and spending cuts that reduced a 12% of GDP deficit into a balanced budget. The single most important reason for Sweden's success, however, may have been the country's decision to abandon the European fixed currency exchange rate regime and switch to a floating exchange rate, and give independence to the National Bank. This decision allowed for the decline of the value of the currency, which helped to restore competitiveness and decreased the budgetary cost of unemployment. At the same time it allowed the National Bank to focus its monetary policy on a 2% inflation target, instead of just trying to use monetary policy to maintain a fixed exchange rate. The subsequent economic growth allowed the government to use fiscal policy as a tool of economic reform and income distribution. Sweden is an example of the benefits during times of extreme crisis of a floating exchange rate and strict inflation targeting, options that are not available to Eurozone countries.⁵¹

⁵¹ Lars Wohlin, 'Swedish lessons cannot be applied to Euro zone,' in *Financial Times*, June 15, 2010.

Need to Control Labor Costs to Remain Competitive

The experience of Portugal and Spain within EMU also shows that there have been lasting performance differences across countries. These differences can be explained at least in part by a lack of responsiveness of prices and wages, which have not adjusted smoothly across sectors, which in the case of Portugal and Spain have led to accumulated competitiveness losses and large external imbalances. While Germany (and other EMU countries) implemented supply-side reforms to bring labor costs down, through wage restraint, payroll tax cuts, and productivity increases; making it the most competitive economy with labor costs 13 percent below the Eurozone average, Portugal and Spain continued with the tradition of indexing wage increases to domestic inflation rather than the European Central Bank target, and they became the most expensive ones: Portugal with labor costs 23.5 percent above average (followed by Spain with 16 percent, Greece with 14 percent, and Italy with 5 percent).⁵²

Be Aware of New Players in World Trade and the Erosion of Comparative Advantage

A problem for Portugal and Spain has been the dramatic erosion of its competitive advantage. The emergence of major new players in world trade, like India and China, as well as the eastern enlargements of the European Union have been particularly damaging to the Portuguese and Spanish economies because these countries have lower labor costs and they competed with Spain and Portugal's traditional exports (as exporters of relatively unsophisticated labor-intensive products), which led to losses in export market shares (aggravated by the appreciation of the Euro, and the increase of unit labor costs relative to those in its trading competitors). At the same time Spain and Portugal's attempt to specialize in medium- and higher-technology products was also hindered by the accession of the Eastern European countries into the EU, which were moving into those sectors and also specializing in these products.

In the end, the Iberian countries' ability to keep the lid on unit labor costs was insufficient to generate enough growth in exports to compensate for increasing domestic demand. While easy access to cheap credit had boosted domestic demand for households, it has also caused a shift of resources from tradable to non-tradable (most services). This shift was further hastened by high wage increases, also in the public sector, caused by a tighter labor market in the second half of the 1990s, which further hampered external competitiveness and productivity. The result, particularly in Spain, has been an imbalanced economy sus-

⁵² Stefan Collignon, "Germany Keeps dancing as the Iceberg Looms," in *Financial Times*, January 20, 2009, p.13.

tained by strong domestic demand that translated into higher imports (and external deficit).

Until 2000 the impact of wage increases was offset in Portugal by high productivity growth (it grew yearly at an average of 2.2 percent between 1996 and 2000), thus limiting the growth of unit labor costs. After 2000, however, the international expansionary cycle started to reverse, particularly in the EU, which is the leading market for Portuguese exports, where growth slowed to 1.4 percent between 2001 and 2003 (compared to 2.8 percent between 1995 and 2000). This deceleration of the international economic cycle hit Portugal severely and affected expectations among consumers and businesses.

Furthermore, some Portuguese sectors of the economy did not prepare well for the WTO liberalization of sectors with major economic impact on the country, particularly footwear and textiles. The situation was compounded by the Asian crisis of the late 1990s, which led to the devaluation of far-eastern currencies, further eroding the competitiveness of Portuguese exports. As a result, Portuguese exports of footwear and textiles fell from almost two thirds of total exports of goods between 1995 and 1996, to a little more than one third between 2004 and 2005, with the concurrent wave of dismissals and closures, which further dampened expectations and caused social problems, particularly in the north of the country, where these industries are based (Abreu 2006, 3-4).

Political Stability Is Essential

There is consensus that one of the key problems in Portugal prior to 2006 was the lack of political and policy stability. Indeed, there have been more changes at the prime minister level (there were four PMs between 1995 and 2005) and the previous three prime ministers (before Socrates) resigned before their terms were over for different reasons. These constant changes up to 2005 made economic policy continuity more problematic and more importantly, made the implementation of reforms in the face of popular opposition very difficult.

Indeed, one of the main differences between both countries has been that in Spain there has been remarkable economic policy stability after the crisis of 1992-93. There have been few economic policy shifts throughout the 1990s and first half of the 2000s, and this despite changes in government. Between 1993 and 2008 there has been only two Ministers of Finance, Pedro Solbes (from 1993-1996, and from 2004-2009) and Rodrigo Rato (from 1996-2004), (and prior to them Carlos Solchaga had been in the position between 1995 and 2003); and the country only had three Prime Ministers (Felipe González, José María Aznar, and José Luís Rodríguez Zapatero). More importantly, each of the last three governments has completed its mandate and there have been no early elections. In addition, as a rare occurrence, Pedro Solbes, who was minister of finance under a Socialist government in the early 1990s when the process of fiscal consolidation started, became minister of finance again in 2004 after the Socialist Party won

the general election and he is still in that same position.⁵³ The power of the Minister of Finance was also reinforced vis-à-vis the other cabinet members because both of them also served as deputies of the Prime Minister in the government under the Conservative and Socialist administrations. This pattern was further reinforced by the ideological cohesiveness of these parties and the strong control that party leaders exercise over all the members of the cabinet and parliament deputies.

In addition, this stability was reinforced by the shared (and rare) agreement among the Conservatives and Socialists leaders regarding fiscal consolidation (the balance budget objective was established by law by the Popular Party), as well as the need to hold firm in the application of conservative fiscal policies and the achievement of budgetary fiscal surpluses. Indeed, this happened to a degree in which Spain became the paradigmatic model of a country applying the budget surplus policy mantra. The Aznar government repeatedly chastised other European governments that were far more lax in their fiscal policies, to a degree in which it created tensions with the EU richer countries, because although they were in fact running higher deficits, they were net contributors to the EU budget and providing Spain with cohesion and Structural Funds (i.e. Germany or France). Unsurprisingly, it was hard for them to accept to be called irresponsible and to have fingers pointed at them while they were subsidizing Spain through the European solidarity programs.

This dogmatism, however, worked well in the short term and contributed to the credibility of the government policies. In the medium- and longer-terms, however, there are disputes as to whether a more accommodating policy would have been positive in upgrading the productive base of the country with investments in necessary infrastructure and human capital. The maintenance of the balanced budget paradigm as a goal on its own may have blinded the governments to the benefits of investing in new technology areas in which Spain is still lagging behind. This could have contributed to a faster change in the model of growth and could have reduced the dependency on the construction sector, which is now in the midst of a sharp recession that is having devastating consequences for the Spanish economy. In the end, it is important to highlight, as we saw in the previous section, that policy stability did not deliver the necessary reforms that the country needed, and this failure has intensified the current crisis. In Portugal, however, there have been more changes at the prime minister level (there have been 4 PMs between 1995 and 2009) and the previous three prime ministers resigned before their terms were over for different reasons. António Guterres was PM between October 28, 1995 and April 6, 2002. These constant changes up to 2005, made economic policy continuity more problematic and more importantly,

⁵³Solbes stepped down in the spring of 2009 and was replaced by Elena Salgado.

made the implementation of reforms in the face of popular opposition very difficult.

Furthermore, the Ministry of finance position became something of a revolving door, bringing instability to the economic policy portfolio, with ministers often resigning in protest over their inability to manage the financial ambitions of their colleagues and control fiscal policies and expenditures. Between 1990 and 2005 there has been 10 ministers of finance, and on average they have been less than two years in the position. The problem was compounded, as opposed to Spain, by the finance minister's limited powers over the budget. Indeed, according to a recent study (Halleberg et al. 2004) of all the EU-15 finance ministers the Portuguese one has the lowest control over the formulation, approval, and implementation of the budget.

Table 7: Minister of Finance Portugal, 1990-2008

21-07-2005	Fernando Teixeira dos Santos
12-03-2005	Luís Campos e Cunha
17-07-2004	António Bagão Félix
06-04-2002	Maria Manuela Ferreira Leite
03-07-2001	Guilherme d'Oliveira Martins
25-10-1999	Joaquim Augusto Nunes de Pina Moura
28-10-1995	António Luciano Pacheco de Sousa Franco
07-12-1993	Eduardo Almeida Catroga
31-10-1991	Jorge Braga de Macedo
04-01-1990	Luís Miguel Beza

This problem extends to other critical areas, such as education: Maria Lourdes Rodrigues, the current minister of education, was the 27th education minister in 32 years.

In the end, the credibility of economic policies (and fiscal policies in particular) was undermined by the relative political instability that prevailed in Portugal in the first half of the decade. It is not surprising, therefore, that once there has been some stability in the position (Fernando Teixeira dos Santos has been in the position for four years, the longest tenure in the past 18 years), the government has been able to implement substantive reforms and pursue fiscal consolidation. The fact that the PS had an absolute majority in Parliament has also been an important factor in facilitating the implementation of reforms. Yet instability and political fragility have not disappeared entirely: the Minister of Economics and Innovation, Manuel Pinho, was forced to resign in June 2009, two months before the scheduled general election, when he called "cuckold" to a Communist member of Parliament during a parliamentary session. Fernando Teixeira dos Santos, the minister of Finance, also assumed the Economics portfolio. The socialist Government lost its absolute majority in the 2009 general election, which

has intensified concerns about the government's ability to implement tough reforms and budget cuts.

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The Influence of EU Membership on Spain's Management of the Economy

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Abstract

As a result of the Franco regime, Spain was not invited to participate in the initial formation of the European integration. Only after the 1986 Spanish democratic Constitution was approved in 1978 was membership was feasible in. Since then, Spain has positively contributed to the advancement of European integration. The initial 21 years of Spain's involvement in the EU were extremely economically beneficial leading to many improvements within the country, making Spain the 8th largest economy in the World. Spain experienced prosperity until 2007. Prices and wages rose rapidly, though improvement was temporarily beneficial it caused a large external deficit and a growing increase in the external debt required to compensate the external unbalance.

At the same time some things remained stagnant and in need for improvement. The good performance of the 21 initial years has shifted within EU and Spain largely due to the 2008 world crisis and the burst of the construction bubble. Since May 2010 the Spanish Government abandoned the fiction that Spain had been almost untouched by the economic crisis and, in a breathtaking turn, it announced the painful cuts that would be needed within the Spanish welfare state system to stop Spain from going the way of Greece in the need of support by IMF and the Eurozone. Recessions help show weaknesses and mistakes made by Governments, Banks, Industries and Trade Unions. Only if Spain and the EU can learn from these mistakes, then they are likely to see a return to the growth that they had enjoyed throughout the initial years of Spain's EU membership.

The Logic of the Mediterranean Enlargement of the EC

Since the fall of their respective dictatorships in the middle of the 1970s, countries such as Greece, Portugal and Spain experienced a spectacular transformation into democracies that enabled them to apply for membership of the European Community, which they regarded as the final step on the road back to the

heart of Europe (Círculo de Economía 1973). Greece applied for membership in the EC on June 12, 1975; Portugal applied on March 28, 1977 and Spain on July 28 of the same year. In order to consolidate democracy in Greece, Portugal and Spain, the EC approved a Second Enlargement (the first one occurred in 1973 and comprised Denmark, Ireland and UK) based on article 98 of the ECSC Treaty, 237 of the EEC Treaty, and 205 of the EURATOM Treaty.

Negotiations for membership with Greece opened in July 1976, Portugal followed in October 1978, and Spain in February 1979. Greece became a full member of the EC in 1981 but the EC-Spain and EC-Portugal negotiations experienced a delay, and membership was only possible in 1986, following the ratification of the accession Treaty signed in Lisbon and Madrid on June 12, 1985 (Granell 1985).

The 1970 Spain-EC Agreement

The ten-member EC was a crucial partner for the Spanish economy as early as 1962. Franco's Government expressed interest in an association with the EEC, possibly leading to eventual full membership. Integration was not possible for political reasons, but a Preferential Trade Agreement Spain-EEC, similar to the EC-Israel Agreement, was signed on June 29, 1970. This Agreement known as Ullastres Agreement (named after the then Spanish ambassador to the EC) provided the framework for the asymmetrical progressive elimination of trade barriers between Spain and the six member countries of the EEC at that time (Belgium, France, Germany, Italy, Luxemburg, Netherlands) (Granell 1973). This Agreement was challenged by the introduction of the Generalized System of Preferences by the EEC in 1971 (Donges 1976) and was extended to the new EC members after the First Enlargement of the EC (in 1973) and the Second Enlargement (Greece in 1981). Between 1970 and 1984, the volume of Spanish exports to the EC grew in real terms by 355% paving the way for Spain's formal accession when the political developments in Spain made it possible: after Franco's death in 1975 and after the first democratic elections¹.

In Spain, the negotiations for entry were supported with enthusiastic political determination in spite of the skepticism among certain economic sectors concerning the lack of competitiveness of Spanish industry to face the opening of the economy. Sustained growth in the Sixties defused social conflict with the credible promise of higher incomes and better social mobility in the future. It is likely that the possibility of European integration reinforced the expectations of Spaniards about sustained growth in the future. In 1974, Spain attained a per capita income above US\$7,000 compared to US\$2,000 in 1930. The rapid transformation of Spain in the Sixties had generated a strong middle class that secured

¹ Francesc Granell, "A los 25 años del Plan de Estabilización", *El País*, July 27, 1984

popular support for democratization and membership of the EC after Franco's death (Gunther, Montero, Botella 2004).

On the eve of membership in 1984, Spain had a relatively low level of foreign trade. The value of Spain's exports amounted to some US\$23.5 billion and her imports to some 28.8 billion. Imports per capita amounted to US\$764 while the equivalent figures were US\$1,919 for France, US\$1,414 for Italy, US\$1,775 for United Kingdom and US\$1,061 for Japan. The situation in terms of exports per capita was less favorable still amounting to US\$519 while Italy had US\$1,281 and France US\$1,667. In terms of sectoral structure, Spain presented an image of an underdeveloped country regarding the composition of exports to developed countries and it presented the image of a developed country considering the trade flows to developing countries. In 1984, 33.4% of Spanish imports came from the then ten members of the EC while the ten members of the EC imported 49.1 of Spanish exports in the same year. During the same year 50% of foreign investment attracted by Spain came from the EC's ten members and most of the US\$1.2 billion remittances of Spanish migrants working abroad came from the EC. In addition, 80% of the yearly tourist income of US\$7 billion earned by Spain was spent by EC nationals (Granell 1985). In 1984 the number of foreigners working in Spain was relatively small. Spanish companies had a very low level of investments abroad and the tourist expenditure made by Spaniards abroad was very low.

The Terms of Membership to the EC

In order to start membership negotiations (1979-85), the Spanish Government accepted the principle of adopting Community rules, principles and institutions (*Acquis Communautaire*), recognizing that the negotiations should focus on transitional arrangements (Nin 1980). For the purpose of the negotiations and the adoption of arrangements for the transitional period, the *Acquis Communautaire* had been divided into 19 chapters. As a result of the accession negotiations, a period of seven years was established for dismantling industrial trade barriers. During this period Spain also adopted the EC's External Customs Tariff and the EC Foreign Commercial Policy including the Lomé Convention and the Generalized System of Trade Preferences (Navarro, Alberto in Westendorp 1994). The transitional period allowed for agricultural products was ten years, following a complicated negotiation largely because French farmers who feared competition from Spain's Mediterranean agricultural products. During the negotiations, Spain accepted to put its State monopolies in line with EC requirements and also accepted the EC's competition rules. Spaniards already working in the EC countries received the same rights as nationals of EC countries. Spain adopted the Value Added Tax from 1986. Spain also accepted that Spanish trucks and buses would be obliged to introduce tachometric control supervision in three to four years. More freedom for capital movements and international settlements had also been

agreed. Spain also accepted the EC's environmental rules (Tamames 1999).

The adoption of the EC's Common Customs Tariff reduced to one-fifth the protection granted by the Spanish Customs Tariff. The reduction in tariff protection passed from 20% to 4%. The EC's Tariff combined with the GSP, the ACP special relations and other agreements opened Spain not only to the European market but to the rest of the world as well, having an impact on some domestic sectors of production that was more important than the impact produced by the high added value products from other EC members not directly competing with Spanish production. The introduction of VAT changed the traditional Spain's system of export subsidies and forced central and regional governments and other bodies, like the Chambers of Commerce, to be much more active in promoting exports to improve the performance of the Spanish economy, and to try to reduce the trade gap. Some declining and non-competitive industries suffered from the enhanced competition from foreign products due to cheaper imports.

In the field of external relations, a specific issue that Spain sought to introduce into the accession negotiations was the need for the EC to establish special relations with the Latin-American countries with which Spain had no special tariff or trade policy arrangements at that time (Granell 1985). The question of the relations with Latin America dramatically changed years later not only because of an increase in trade relations, but because of the vastly increased number of Latin-American immigrants that come to work in Spain and the enormous amount of investment in Latin America by Spanish multinational companies created by privatization of old monopoly companies in the field of utilities (Telefónica, Repsol, Iberia, Endesa...) or by diversification of banking business (Santander-Central Hispano, BBVA). Most of these investments were at least in part a consequence of the application increased competition, the bigger firms resulting from the mergers and acquisitions to achieve economies of scale and later in order to complete effectively following in the introduction of the euro. Spain also became involved in EC development assistance to poor countries (Granell 1991 and Navarro in Westendorp 1994).

The initial effects of joining the EC in static terms were unfavorable to Spain in terms of balance of trade, even if in the Treaty of Accession Spanish industry obtained advantageous treatment, except in certain sensitive sectors such as car production and iron and steel. With the phasing out of tariffs, there was both trade creation and the trade diversion which affected agricultural imports from United States and Latin America. This led the EC to compensate the countries affected in the framework of the rules of the GATT.

Nevertheless, the overall effect on Spain of joining the EC was highly positive in dynamic terms. One factor was the integration of Spanish Industry into the European networking of intra-industry trade in added value products. Another factor was the flow of foreign investment into Spain both from Europe

and from other countries, mainly USA and Japan, as well as the European transfers to increase farmers and for investment in infrastructure. But some of the dynamic effects were still to come, resulting from the launching of European growth after the 1983-85 economic crisis, and the creation of new European instruments and policies that were introduced after Jacques Delors became president of the European Commission in 1985.

The Consequences of Membership for Spain

Comparing with the low growth in 1983-85, the 1986-1991 years had been globally positive for the Spanish economy making it easier for the country to adapt to EC rules (Almarcha 1993). The Socialist Party came to power at the end of 1982 and at the time of presenting the Macroeconomic Convergence Program with the EC in April 1992 there was much pride in the economic performance of the Spanish Economy and even in the new policy of privatization in 1983 (Rumasa). This success came at the price of an increase in the public debt from 31.4% of GNP to 47.1% in the period 1982-95, increasing to 68.2% in the last year of Socialist Party rule (1996).

Since EC membership, Spain has actively participated in the Community policy process guiding the process of European integration during four six-month periods of Spanish Presidency (three under the socialist government: January/June 1989; July/December 1995 and January/June 2010 and one under the Popular Party government: January/June 2002) (Granel 2010). At the same time, Spanish representatives occupied top jobs in the EU's institutions and Spain supported the development of the EC integration in quantitative terms (enlargements), qualitative terms (for development of community policies) and in the efficiency of the European institutions (Viñas 2006).

Since 1986, Spain has been one of the most pro-European countries and it has always been in favor of deeper EU integration. In this sense, Felipe González cooperated closely with Helmut Kohl, François Mitterrand and Jacques Delors, helping to make possible one of the most creative periods in the history of European integration (González 2010). At the same time, Spain did not oppose enlargement where new members were prepared to share the entire EU *Acquis*, and if European Member States were prepared to accept an increase in the European Budget for financing underdeveloped European regions (Solbes 2002).

Prime Minister Felipe González attended the European Council meeting held in Milan in June 1985 as his first important European engagement after the signing of the Accession Treaty and before the ratification of membership. González endorsed the White Paper of Jacques Delors introducing the idea of creating a Single Internal Market by 1992 eliminating non tariff, legal and administrative obstacles still impeding the free movement of labor and capital, goods and services in the "Twelve" (including Spain and Portugal). The Single European

Act that the Single Market program included provisions on European political cooperation, developed the idea of economic and social cohesion and further advanced the European Monetary System (EMS) which the Spanish peseta joined under its first Presidency of the Council in June 19, 1989.

The decision for the peseta to join the Exchange Rate Mechanism - with a central parity of pesetas 65 per deutschemark and a fluctuation band of 6% - was linked to the need to show to other countries that Spain was a credible partner with an effective anti-inflation policy. The move strengthened the peseta due to an increase in capital inflows which were responding to the high Spanish interest rate differentials with other ERM currencies. However, as a result of persistent inflation and a fixed exchange rate inside the ERM, companies became less competitive, negatively affecting competitiveness and leading to successive devaluations in September 1992 (5%), November 1992 (6%), May 1993 (8%) and March 1995 (7%).

After the ratification of the European Single Act on July 1, 1987 Spain sought to introduce more flexibility into its economy and was able to introduce three hundred measures required to increase freedom of movement under the Single Market program (Viñals 1992). The adoption of EU regulations or transposing the directives has been a continuous process not always easy on Spanish companies, especially the economic recession that began in 1992, from which Spain only emerged at the time of the Barcelona Olympic Games, the Seville World Expo and the award of European Cultural Capital to Madrid.

As well as the Single Market, other factors helped to promote Spanish convergence with the European average income levels: the introduction of common currency and low interest rates, the increase of the budgetary appropriations of funds for the poorer regions of the member States in order to enable them to cope better with the increased competition that was expected from the removal of internal barriers in the EC, resources for Research, Education, etc. The step in the integration process that came with the Treaty on the European Union (TEU) signed in Maastricht in February 1992 enlarged substantially the scope of the European integration introducing new economic policies, a political pillar and a Justice and Internal affairs pillar. Spanish Ambassador Carlos Westendorp was a key player in the negotiation of the TEU (Westendorp 1994). Among other things the TEU opened the way to Economic and Monetary Union with a European Central Bank, established the criteria for new membership and the macroeconomic convergence criteria required for the introduction of a common currency (the "euro" according to the decision taken at the European Council held in Madrid in December 1995). Spain was concerned to be part of the Economic and Monetary Union. For that reason, Spain requested during the Intergovernmental Conference on EMU, a long transition period and insisted on the principle that the largest possible number of Member States should participate from the start. Spain accepted the Maastricht Treaty provisions on macroeconomic convergence criteria having in mind that the most likely date for the third stage of EMU (the

introduction of the euro) to start would be 1999. During this period, Spain's record regarding the macroeconomic convergence criteria established by the Maastricht Treaty was not satisfactory. Spain faced the risk of not participating in the third stage of EMU.

Spain also supported other elements of the new TEU: the concept of "subsidiary", the notion of an EU citizenship and the establishment of the new Committee of the Regions to formalize consultation with the local and regional authorities. The creation of the Committee of Regions was especially welcomed by Spanish local and regional Governments. They also welcomed the explicit definition of subsidiary even if the concept written in Article 3b of the TEU referred only to relations between the EU institutions and national governments. This concept was only more precisely defined, together with the principle of proportionality, in the European Council meeting held in Edinburgh in December 1992 (then incorporated to the Amsterdam Treaty signed on June 1997). In this sense, it is important to recall that almost in parallel with EU membership, Spain's Constitution of 1978 formally recognized 17 Autonomous Communities. The devolution of powers to regional governments has changed the balance of power between the central and regional government.

At the same time, the new political environment that followed the collapse of the Berlin Wall in 1989 led to a process of German unification for which Helmut Kohl found in Felipe González a strong ally at the EC level². Partly as a result of this support, Kohl accepted the Spanish request for more resources for cohesion policy and for the establishment of a cohesion fund under the so-called Delors II Financial Package that was agreed in the European Council held in Edinburgh in December 1992 (Molle 2007).

Regarding a possible enlargement of the EC, accepting into the EC certain EFTA/EEE countries, the first mention of this possibility was made by the EC's European Council held in Maastricht in December 1991. Spain accepted from the beginning the request presented by EFTA countries, provided that they were ready to accept in full the *European Acquis* that also included the acceptance by the candidates not only of the traditional *EU acquis* but also of the extensions deriving from the Single European Act and the Treaty of European Union. Spain insisted in two other pre-conditions: the ratification of the TUE before enlargement and the approval of the Financial Perspectives 1993-99 needed for Spain to receive important EU funds. Regarding voting rules in the Council in their initial position, both Spain and the UK wanted to maintain the number of votes required for a blocking minority on decisions to 23 instead of raising it to 27. The issue was only settled by the so-called Ionnina Compromise of March 1994. The Greek presidency said: "The EU should not have undertaken new responsibilities before the Community structure deepens, before we proceed

²Commission des Communautés Européennes (1990): "La Communauté Européenne et l'unification allemande" in *Bulletin des Communautés Européennes*, Supplément 4/90

to necessary structural and economic changes, before we satisfy the preconditions set by the Maastricht Treaty" (Granell 1995). During the subsequent enlargement negotiations, Spain feared that with the arrival of new member states in 1995, the likelihood of starting a third stage of EMU before 1999 would have been increased and consequently Spain would face a higher risk of not being ready to join the first group of countries. If Spain had been left outside the leading group of countries, it would have appeared as a major failure for the Socialist government. In this context, at the EU Foreign Affairs Council of December 1993, Spain requested that the candidate countries (at that time Austria, Finland, Sweden and Norway) should be excluded from decisions concerning the passage to the third stage of EMU due to be taken in 1996.

After the 1995 enlargement that brought Austria, Finland and Sweden into the EU, with the full support of Spain, some concerns arose (already present during the second Spanish Presidency of the Council in the second semester of 1995) about the efficacy of the EU's institutions and about migration policy which were subsequently addressed, among others, in the Treaty of Amsterdam, signed on October 2, 1997. When the Treaty came into effect on May 1, 1999, it provided several amendments to the Treaty of Maastricht. To resolve personal security and immigration issues, the EU was allowed to legislate on civil law. The Treaty also bestowed more power upon the Parliament in the legislative process, and it raised the possibility—albeit under strict conditions—for “closer cooperation” between selected member states. Links between criminal justice systems in the member states were also intensified. A High Representative for EU Foreign Policy was introduced, in a bid to bolster the Union's international profile, and to help to project European values in the outside world. The former Spanish Foreign Minister and former NATO General Secretary, Javier Solana was appointed as the first High Representative for the CFSP (Solana 2010). However, the majority of the Amsterdam Treaty amendments served to tighten the political bond between the Union and the citizen. Perhaps resulting from these measures, in a late 2000 survey, 76% of the Spanish population admitted to feeling “European,” compared to 60% in the rest of the EU.

The question of the conduct of the economy to enter in EMU had been important in the last years of the González Socialist government and the first years of the Aznar conservative government after the March 1996 legislative elections (Cuadrado 1996 and Muns 1997). In fact, Aznar came to power promising to fight corruption and illegal practices and to fight against ETA terrorism (GAL) while promising more economic liberalism including tax cuts³. However, only a few months after he became prime minister many of his intentions were abandoned because of the need to prepare for the Single European currency. This was at a time of high unemployment (23%) and both domestic demand and consumer spending were stagnant. There was a general fear that austerity policies

³*The Economist*: “The World in 1997”, December 1996.

demanding by macroeconomic convergence criteria could push the country into recession.

Due to some improvement in the economic situation, Spain in the end met the convergence criteria, making it possible to join the leading group of countries entering into the euro on January 1, 1999. Although interest rates were no longer to be set in Madrid in a Spanish economic policy context, full participation in the euro has never been a divisive issue even during the euro crisis of 2009-2010. In fact, the adoption of the euro has been described as creating a virtuous circle for the Spanish economy (Elias 2001). In the Davos meeting of 2000, Aznar called the euro "a great European success that had brought stability, integration and prosperity"⁴

In the assessment of the updated convergence program for Spain in February 2000, it was pointed out that the macroeconomic projections for 1999-2003 were in line with the requirements of the Stability and Growth Pact and the Broad Economic Policy Guidelines agreed at the Cardiff European Council (June 1998). After the successful application by the Popular Party of the Convergence Program 1994-97, Spain achieved international recognition of success in economic management in December 2001 by being considered as a country with the highest debt rating "AAA" by Moody's Investors services. The Aznar government introduced a Fiscal Stability Law in 2003 that was stricter than the EU Stability and Growth Pact and together with more fiscal austerity the Debt/GDP ratio fell to 55.8% in 2003 with economic growth near 4%, thus helping in the effort to reduce the GDP gap with other EU countries. Only the inflation rate exceeded the required target of 2% (Garmendia 2004).

Aznar enhanced the Spanish position in the EU through a series of reforms that transformed Spain into one of the more robust economies. This included reforms in the tax system and labor market and the privatization of public companies (Telefónica, Endesa, Repsol, Tabacalera, Argentaria, Iberia) generating revenues to reduce the debt burden while reducing the weight of the state companies in the stock market to a less than 0.5%.

Bolstered by Spain's strong economy, Aznar urged his European neighbors to abandon government intervention in the economy (increased taxes, 35-hour working week and so on) and called for building an "economically powerful Europe". Together with Tony Blair he emerged triumphant from the EU European Council in Nice on December 2000 because, in the reweighting of votes decided in view of the Nice Treaty, Britain and Spain gained more weight while succeeding in protecting their national vetoes in the key areas: for UK, taxes and social security, and, for Spain in decisions governing the allocation of future "cohesion funds", the source of some €1 billion in EU subsidies per year to Spain between 2000 and 2006.

⁴ Alan Friedman: "Fear of the Future in Europe? Spanish leader attacks economic Intervention Policies", *International Herald Tribune*, January 31, 2000.

Even if the budgetary flows between Brussels and Madrid probably have a marginal importance in the framework of the EU/Spain relations because the EU budget is relatively small compared to National and Regional budgets in Spain⁵, the question is highly political, however, in view of the fact that public opinion considered that Spain had to be financially compensated for opening its market to imports from more advanced European partners, for supporting the significant effort in investment in infrastructures after accession, for converting regions and sectors affected by globalization, for fighting against unemployment and for adapting Spanish Agriculture under the Common Agricultural Policy.

The next Treaty of Accession signed in Athens (April 2003), which admitted ten new countries in the EU on 2005 (Estonia, Latvia, Lithuania, Poland, Czech Republic, Slovakia, Slovenia, Cyprus and Malta) and the Luxemburg Treaty (April 2005) bringing Bulgaria and Romania to the Union on 2007, called for another period of adjustments.

Regarding the management of the Spanish Economy, the enlargement to 27 meant that Spain saw certain industries delocalizing. Spain also moved to become a net contributor to the EU budget (Roy 2006). This did not seem to concern the Spanish public opinion convinced by Prime Minister Rodríguez Zapatero that the Spanish economy was going up and up and did not need the same level of European regional and cohesion funds.

After the non-ratification of the Constitutional Treaty, the Berlin Declaration of March 25, 2007, on the occasion of the 50th anniversary of the Treaty of Rome, renewed the impetus for major institutional and policy reform, which would soon be realized in the Treaty of Lisbon⁶. Spain, together with Luxemburg, had a pivotal role in the transposition of the un-ratified Constitutional Treaty into the new Treaty of Lisbon⁷ that was agreed by the member states on December 13, 2007, effective on December 1, 2009, amending the existing treaties and dismantling the three pillars structure (Piris 2010). Although Spain was the 23rd (fourth to last) country to ratify the Treaty, it did so with an overwhelming majority in both the Senate and lower house of Parliament, and this in a context of economic crisis. The Treaty received the backing of Prime Minister Zapatero and his PSOE party, as well as that of the Popular Party. The Treaty of Lisbon also declared the Charter of Fundamental Rights of the European (previously ratified on December 7, 2000) legally sound. The Charter proclaimed the rights of all EU citizens in areas such as equality, solidarity, rights and justice, in a move that PSOE considered very close to their interests and electoral social promises.

⁵ Aurora Gallego, "Saldo financiero España-UE en 2009", *Boletín Información Comercial Española*, num. 3002, December 2010

⁶ Francisc Granell, "Del intento de Constitución Europea al Tratado de Reforma", *Economía Exterior*, num 42, Autumn 2007.

⁷ Navarro, Alberto and Schmit,N., "Por una Europa mejor", *El País*, January 27,2007

Finally, it is necessary to recall that Spain chaired the rotating presidency of the Council of the EU (the 4th presidency since membership) during the first semester of 2010 (Granell 2010). This meant that during their presidency Spain was responsible for implementing, along with the other European institutions, all the changes in the governance of the UE introduced by the Treaty of Lisbon in a very stormy period, characterized the EU debt crisis in Greece, Ireland, Portugal and in other countries. During the Presidency, life was complicated for Spain because of some apparent decline in the image and prestige of the EU linked to the euro crisis⁸.

The Economic Impact of Membership

Between 1985 and 2007, Spain's output growth was very fast (except in the period that followed the 1992 Olympics in Barcelona, the World Exhibition in Sevilla and the Madrid European Cultural capital) due to various factors only in part associated with membership to EU. Between 1986 and the year before the creation of the euro (1998), Spain had an average yearly growth of 3.1% rising in some years to nearly 5%, the fastest in the OECD. The initial twenty-one years of Spain's involvement in the European Union were therefore a period of economic good fortune, leading to many improvements in the country from major construction in infrastructure, to the unemployment rate falling from 18% to 10%. Spain became the 8th largest economy in the world (Piedrafita 2007).

Spain also improved its weight within the EU economy moving from 8% of the Union's GDP to 9.7%. Between 2000 and 2006, Spain provided more than half of the new jobs within the EU. Spain, in the past a country of emigration, became a net receiver of millions of foreign workers. Spanish multinational companies and banks expanded around the World, mainly Latin America. The Spanish economy expanded by 64.6% in the first twenty years of its membership, while the rest of the EU averaged an increase of 47.9%. Incomes in Spain rose from 71% of the average income in the EU 15, to more than 90% in 2006. Inflation fell to only one point above that of the euro zone, an impressive feat considering it was originally six points above the average. Public spending experienced a major increase from 25% of Spain's GDP in 1978, to reach 40% in 2006. Motorways developed as well: from 2,000 kilometers in 1985 to 10,000 kilometers in 2002. This greatly improved communication and cut costs in goods and services. The beneficial additions to the infrastructure sector also greatly improved the tourism industry, which in 2006 accounted for 12% of GDP and 10% of employment. Still, despite this growth, Spain did not benefit in all aspects of its economy in the initial years of membership. Some sectors remained stagnant and

⁸Stelzer, Irwin, Euro-zone song is an ode to indecisión, *The Wall Street Journal*, December 20, 2010

in need of improvement. High-technology production is one of the fields where Spain has had a notable stagnation.

Further signs of stagnation can be found in the productivity rate. Though employment had increased, productivity remained constant. This means that less work in terms of added value was being done per person. Two contributing factors to this stagnation were the greater use of temporary and more precarious contracts for workers, and an insufficient use of new technologies. Temporary contracts can boost employment; however, with staff rotating frequently, workers may not receive proper training or integrate fully into the work force and are thus unable to use newer, more complicated technologies.

Technological development has tended to lag behind the rest of the European Union: for every 100 patents filed by the average EU nation, Spain files only 18. This is largely due to the fact that Spain falls far behind the rest of Europe in spending on Research and Development. Spain's investment in R&D accounted for only 1.07% of its GDP, whereas the European Union's average was 1.95% of GDP. Technological development is a significant challenge against the background of the Lisbon strategy and the Europe 2020 strategy in which the EU aimed to make the EU's economy "the most dynamic and competitive knowledge-based economy in the world, capable of sustaining economic growth with more and better jobs and greater social cohesion."

More recently much of the favorable statistics on the initial twenty-one years of membership have shifted within Spain. The recession has exposed some of the weaknesses in Spanish development, some of which can be traced to involvement within the European Union. Certain industries have suffered greatly as a result of the recession, and Spain's ties to the European Union through the euro are probably inhibiting a recovery. Some Spanish savings banks – which account for 42% of the country's banking assets – are in difficulty following the collapse of the decade-long housing boom, which has left them a large volume of bad loans and potentially heavy losses⁹.

The construction industry symbolizes the problems of the Spanish economy. Between 1995 and 2008 Spanish house prices tripled in nominal terms, and doubled in real terms. This was explained by young people leaving the parental homes earlier, a rise in immigration, the country's popularity among European buyers of secondary residences, low interest rates for mortgages and generous fiscal incentives to buy a house. Spain's construction industry accounted for 12% of its Gross Domestic Product. It brought in immigrants seeking work and provided lending and borrowing opportunities in the private sector. Over a decade, land prices rose by 500%; in 2007 construction led to an addition of 800,000 housing units. However, when the bubble burst, this contributed to an unem-

⁹ Sara Schaeffer Muñoz, S. and Jonathan House, "Spain steps in again to help savings banks", *The Wall Street Journal*, January 20, 2011

ployment rate of around 20% and forced some immigrants that had originally found work in Spain to return home¹⁰.

The first reaction of the Socialist government to the crisis was to spend more in order to stimulate the economy and to continue social expenditure to preserve social peace. This effort in expenditure and the reduction of tax revenues due to the decrease of economic activity led to an increased in the public deficit for the central and regional governments. Financing the debt on the international markets was a challenge against a background of indecision and uncertainty in the handling of the European euro crisis¹¹. This led to an increase in prices to be paid for debt issued by the Ministry of Finance and by the Regional Governments¹². However, according to the analysis of Goldman Sachs in a recent study, Spanish public debt is unlikely to exceed 90% at the peak, hardly a case of insolvency and reducing the risk of a liquidity crisis that might force Spain to seek external assistance similar to the so-called bailouts of Greece and Ireland. In addition, Goldman Sachs concluded that Spain's gross government debt stood at 64% of GDP, well below the levels of Portugal (83%), Ireland (97%) and Greece (140%), with a "prospective burden debt" similar to those of "safe France and Germany today"¹³.

In May 2010 Prime Minister José Luis Rodríguez Zapatero, at last, changed economic policy and declared that painful cuts would be needed in the Spanish Welfare State¹⁴.

Taking account of budgetary legal limits and the requirements of the European Pact for Stability and Growth, and seeing the reality of the situation in the markets for debt (and after talks with the European Commission, the European central Bank and the IMF) Spain was forced to curb public spending¹⁵. In this context the government set out a program of reform to reduce the 11.1% budget deficit in 2009 to 9.3% in 2010 and 6% in 2011, reforming social security and pensions, freezing salaries in the public sector, increasing VAT normal rate from 16% to 18% and increasing other taxes. The Trade unions immediately reacted with a general strike held on September 29, 2010.

Even if Spanish government officials are saying that the worst of the crisis is over, the Popular Party, international organizations and many independent experts remain skeptical¹⁶. The construction industry's rate of expansion in

¹⁰ Suzanne Daley and Raphael Minder: "Newly built towns haunt banks in Spain", *New York Times*, Dec, 17,2010.

¹¹ Marcus Walker and Neil Shah. "Spain hit with Credit downgrade", *The Wall Street Journal*, April 29, 2010

¹² Joseph Stiglitz, "Stiglitz alerta a España de una posible crisis a la argentina", *El Economista*, 4 Oct 2010

¹³ Irwin Stelzer : Spain can still avoid financial doom *The Wall Street Journal*, January 24,2011.

¹⁴Financial Times Special Report. "Spain.After the bust, a time for adjustment", June 11, 2010

¹⁵ Francesc Granell. "La crisis griega como referente para España", *Catalunya Empresarial*, April-May 2010

¹⁶ José María Aznar, "What's wrong with Spain", *The Wall Street Journal*, December 13, 2010.

Spain was one of the important components of the growth. Spain had the largest number of mortgages per capita, and was the most “overbuilt” country in the European Union. But prices since the recession have dropped the least. Making matters worse is that the scale of unsold units, and mortgage problems among households, is so great that the banks are unable to produce accurate data and statistics to demonstrate how severe the problem is.

During the period of prosperity that Spain experienced up to 2007, prices and wages rose rapidly which, though were temporarily beneficial, caused a large trade deficit and a growing increase in the external debt required to finance the current account imbalance. Following the bursting of the bubble, Spain was left with unit production costs that seriously damaged its competitiveness within the European Union. The large fall in employment partly reflected attempts by firms to rationalize production in the face of strong labor cost pressures in an effort to become more competitive abroad.

It would not necessarily help for Spain to leave the euro that it adopted in 1999 and devalue. For example, Spain needs to import more advanced technology from abroad and that would cost more with a depreciated currency. Investors might begin to transfer their money out of Spanish banks to other European banks in order not to lose the strength of the euro. But the same euro that during ten years contributed to the strong development of Spain is presently trapping Spain in a high-cost situation, which is contributing to the persistence of high unemployment¹⁷.

The Future

The last three years have shown that continuous prosperity for Spain within the European Union’s economy is uncertain. Weaknesses and problems with the system have been revealed; however, if Spain can restructure in order to weather the storm of the current crisis using the help that is available within the European Union, then it will certainly come out far stronger down the road as a result¹⁸.

Recessions help to show weaknesses and mistakes made by government, public bodies, banks and saving banks, and private industries. If Spain and the rest of the European Union can learn from these mistakes, then Spain and other weaker European countries are likely to see a return to the growth that they had enjoyed throughout the initial years as a member of EC and EU. Spain and its European family have maintained a primarily beneficial relationship throughout twenty five years. This relation will hopefully resume after the present crisis has been overcome, with the aid of the instruments of anti-crisis created by the EU during 2010 in order to create a permanent rescue fund that would come into

¹⁷ Paul Krugman, “The Spanish Prisoner”, *New York Times*, November 28, 2010

¹⁸ The Economist “The party’s over”, Special Report, November 8, 2008

being in 2013. This also demonstrates the commitment of Germany and France and all the euro zone countries to the success of the euro as a political project.¹⁹

The Spanish government has criticized rating agencies for lowering the nation's credit rating. Meanwhile, it is negotiating a higher retirement age and seeking to establish more flexible labor markets and a better connection between wages and productivity. At the same time, central and regional governments trying to balance their budgets and there is an ambitious program for aligning banks and savings banks with the requirements established by Basel III.

Today the challenge is not only to solve the short-term budgetary and financial sector problems, but to create a more competitive economy based on a different growth model that promotes rising productivity. Spain needs to compete not only in Europe but also in the world markets to avoid a decline in its weight in the European and world economy.

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¹⁹ Francesc Granell , "La complicada modificación del Tratado de Lisboa", *Cuadernos de Información Económica FUNCAS*, Nov-Dec 2010.

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**Spain and the Brain Drain in the 21st Century:
It is not only what you can do for your Country,
But also what your Country can do for you**

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Abstract

The economic cycle directly affects the living standard and purchasing power of citizens. When the business cycle is in the recessionary phase, unemployment is the outcome and, in certain extreme cases, high unemployment rates might lead to strong labor migration trends. Changes in the labor structure of a country directly affect the country's factors of production which directly affect economic growth and social stability.

The purpose of this study is two-fold. First of all, this paper studies how the current economic crisis is affecting the labor market of Spain. In particular, this paper will present that Spain suffered economic hardship in the 1960s that led to a major labor migration. Spanish workers left Spain to find a better life in Latin American countries and some northern European countries. This migration was characterized by young males with low level of education and almost not professional skills. Nowadays, Spain is going through an economic crisis which is leading to high levels of unemployment: structural unemployment. This type of unemployment is characterized by highly skilled workers with years of professional experience. Further, this worsening of the labor market is reducing the chances of newly graduated students to find a job. As a consequence, this economic crisis is creating a pool of highly educated and skilled workers who are opting to migrate to other countries—mainly Latin American countries due to languages and cultural affinity—to find a job where to practice their academic and professional skills. Thus, Spain is suffering a human capital flight or brain drain. This brain drain means that Spain suffers an impoverishing of its factors of production while those countries which receive these workers witness an improvement in their factors. Secondly, this paper aims at demonstrating that since the introduction of the euro, Eurozone member states have witnessed a synchronization of the business cycle represented by a harmonization of their unemployment rates. This helps infer that the evolution of the labor market is independent from political factors. This study will present two innovative studies to

shed light to the evolution of the Eurozone labor market. On the one hand, the Okun's law which will present the relationship between the unemployment rate and production in certain Eurozone member states; on the other hand, the Phillips curve which measures the unemployment and inflation rate.

Introduction

J. F. Kennedy famously said that it is not only a case of what your country can do for you but, what you can do for your country. The current economic crisis and financial uproar is affecting much of the world and having a heavy toll on the labor market. Most countries have seen a dramatic increase in their unemployment rate. In Spain, the increase is making headlines as it is the highest among developed countries with an unemployment rate of close to 20% in November 2010. As a consequence, Spain is suffering a modern labor migration process that is only paralleled in Ireland. In fact, it has been reported that Ireland "is facing a wave of emigration on a scale unseen since the 1980s, as young people desperate for work turn their backs on an economy ravaged by debt crisis, high unemployment and tough austerity measures."¹ Since 2002, and intensified since 2007, Spain is losing a number of highly skilled and well-educated workers who are leaving the country to find job opportunities abroad. The question is why this migration is taking place; the answer rests on what the country can do and offer to retain these workers who escaped from the current labor market.

What the western hemisphere, in particular, is facing is the recessionary phase of the business cycle which negatively affects the living standard and purchasing power of citizens. When the business cycle is in the recessionary phase, unemployment is the outcome. In certain extreme cases, high unemployment rates might lead to labor migration trends. Changes in the labor structure of a country affect factors of production, the economic growth, and social stability.

The purpose of this study is three-fold. First of all, this paper studies how the current economic crisis is affecting the labor market of Spain in a way that is resulting in a human capital flight or brain drain. As a consequence, Spain suffers an impoverishment of factors of production while those countries which receive these workers witness an improvement. Secondly, this paper presents a snapshot of the labor market in Spain in comparison with some Eurozone member states. This section will show that since 1990, Spain is the country with the highest level of unemployment and that labor market conditions have improved only due to the

¹Guy Chazam, and Ainsley Thomson, "Tough Irish economy turns migration influx to exodus," *TheWallStreetJournal*, January 21, 2011.
<http://online.wsj.com/article/SB10001424052748703921504576094201825868600.html>

expansionary phase of the business cycle. Thus, Spain needs to adjust its factors of production to end the brain drain and improve the unemployment rate in the country. Finally, this study presents some factors that are not only triggering the exit of workers but also not incentivizing the return of those who are currently living and working in another country. This final section, therefore, sheds light into some of the major problems that Spain is facing and that could explain the current migration trends.

This paper concludes that labor migration results when the country is not able to retain and attract well-educated and highly-skilled workers to contribute to economic growth and social prosperity.

The Current Economic Crisis in Spain: The Modern Brain Drain

Spain is a country of emigrants. The history of emigration in Spain dates back to 1492 when “the conquistadores” went to the new world searching for fortune and glory. Spain also suffered an emigration wave during the Spanish Civil War (1936-1939) when most intellectuals left Spain and fled to the US and Latin America. This wave had the most brilliant minds which formed the so-called *Generación del 27*.

In the 1950’s Spain suffered difficult economic times which forced another major labor migration and the creation of the *Instituto Español de Emigración*. This group was formed by young males with relatively low levels of education and almost no professional skills. These workers left to find a better life in Latin America where they arrived at their own cost and peril. However, the majority of them went to northern Europe including Germany where immigration was structured, organized, and agreed upon by the Spanish and German governments making it even today a case to study and a model to imitate.

In the 1990’s Spain as member of the European Union experienced improved economic conditions. The country then stopped being a net “exporter of labor” and became a “net receptor” of labor coming mainly from Latin America. These workers came to Spain looking for work to improve living standards. History tended to repeat itself and these workers, as those that emigrated in the 1950s, sent remittances back to their countries to maintain their families. Those remittances have become a vital source of income for their families and an important economic indicator for the country of origin.

Since 2007, Spain is suffering an economic crisis which is leading to high levels of unemployment including among by highly skilled workers with years of professional experience that lost their jobs due to the economic downturn. Further, this worsening of the labor market is reducing the chances of newly graduated students to find a job. As a consequence, Spain has a supply of highly educated and skilled workers that would be the envy of many countries. Tragically, these workers are not finding the opportunities they deserve in Spain and are

migrating to other countries to find a job where they can practice their academic and professional skills. Therefore, Spain is suffering from a brain drain.

The current economic downturn is affecting everyone in Spain including an estimated 3.5 million workers who have arrived in Spain since 1990. These workers now have the Spanish citizenship and are going back to their country of origin at a rate that rose as high as 90,000 workers in just the last quarter of 2009. The loss of this group of workers—with or without the Spanish citizenship—should also be considered a brain drain as they have acquired knowledge and skills, and increased their human capital with experience and know-how.

This overall emigration of workers leaves Spain with less qualified and prepared worker, negatively affecting the productive capacity of the country. Also, the fact that the euro is relatively high against the dollar is contributing to this current trend. The following figure shows that the euro has been reaching record highs although it is in a down trend as each high is lower than the previous one.



Source: Graph provided courtesy of eSignal/Interactive Data Corporation

Reports and statistics support that Spain has been the European country with the highest level of brain drain, particularly accentuated during the economic crisis that started in 2007.² Workers looking for better job opportunities in Europe and the US are young professionals highly qualified in areas such as engineering, architecture, and computer sciences. There is another group of people with knowledge and expertise in the areas of social sciences—economics, management, etc—that are settling down in countries of Latin America.³

Spanish economic growth and factors of production are not only affected by brain drain, but also by the fact that, according to the study released in 2005

²“España es el país de la Unión Europea con mayor ‘fuga de cerebros,’” *El Mundo*, February 18, 2005.

<http://www.elmundo.es/universidad/2005/02/11/actualidad/1108144411.html>

³Pascale Harter, “Immigration and economy fuel Spanish anxiety,” *BBC*, October 9, 2010.

http://news.bbc.co.uk/2/hi/programmes/from_our_own_correspondent/9074463.stm

by the External Advisory Group (EAG), Spain only attracts 1 of each 1,188 researchers that leave the country to find chances elsewhere.⁴ A study published by Gilles Saint-Paul⁵ (2008) shows interesting findings regarding European immigration to the US. Immigrant workers in the US enjoy better working opportunities in the US than in their country of origin. For instance, in 1990 the employment rate of Spaniards in the US was 85.4% while the employment rate in Spain was 79.5%. In 2000, the statistic showed that 80.8% of the Spaniards living in the US were working versus 80.2% in Spain. When it comes to female employment, the data show that in 1990 the employment rate was 60.9% in the US against 32.7% in Spain. In 2000, the employment rate for Spanish females in the US was 61.4% while the employment rate in Spain was 45.1%. When it comes to education, it is interesting to report the proportion of workers with a Ph.D. compared to the average US worker. This means that these who come to the US form a group of highly qualified, and motivated, workers. In the case of Spain, 2.7% of Spaniards living in the US had a Ph.D. in 1990 and in 2000 that percentage increased to 4.6%. According to the data, only 0.82% of the US population had a Ph.D. degree in 1990 and 0.98% in 2000.

Expatriates with a Ph.D. in the US		
Countries	1990	2000
Belgium	4.33	5.78
France	3.1	4.9
UK	3.2	3.9
Spain	2.7	4.6
Italy	0.96	2.0
Germany	1.72	2.36
USA	0.82	0.98

However, it is not just the academically brightest that are in the US, but also those with high entrepreneurial skills even compared to the US. In the case of Spain, almost 11% of the Spanish population living in the US was engaged in some entrepreneurial activity in 1990 and 10.29% in 2000. For the US, the level of the entrepreneurial skill was about 8% in 1990 and about 9% in 2000.

⁴“España es el país de la Unión Europea con mayor ‘fuga de cerebros,’” *El Mundo*, February 18, 2005.

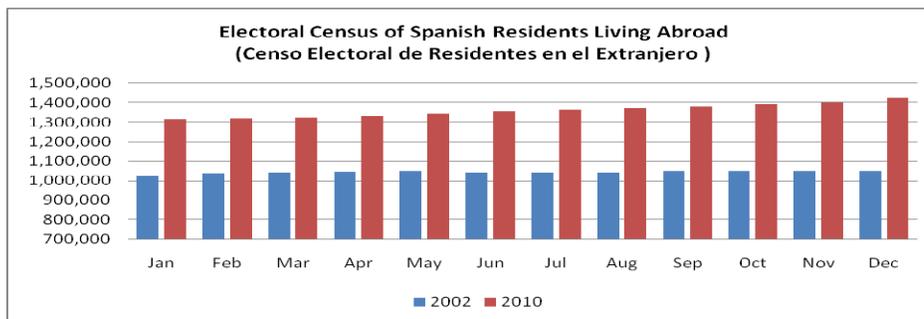
<http://www.elmundo.es/universidad/2005/02/11/actualidad/1108144411.html>

⁵SillesSaint-Paul, “The European brain drain: European workers living in the US,” *VOX*, December 24, 2008.

<http://www.voxeu.org/index.php?q=node/2739>

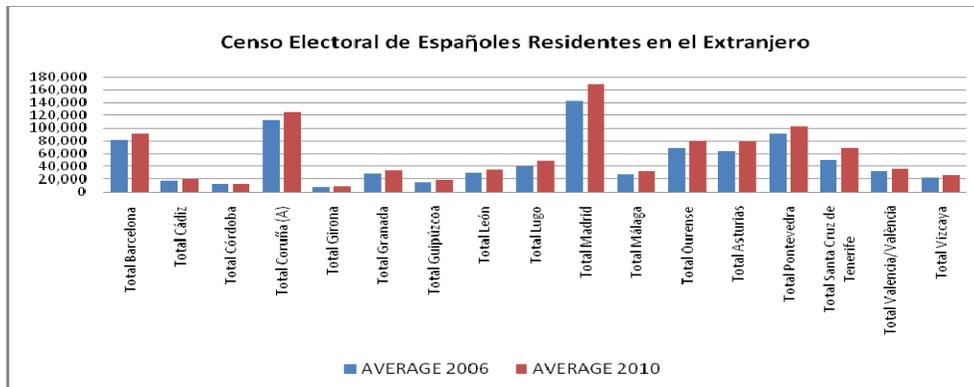
Entrepreneurial skills of expatriates living in the US		
Countries	1990	2000
Belgium	13.18	11.51
France	10.67	11.39
UK	9.84	10.55
Spain	10.96	10.29
Italy	13.42	14.21
Germany	9.85	9.39
USA	8.08	9.08

The Spanish Instituto Nacional de Estadística (www.ine.es) reported that according to the data from the Censo Electoral de Españoles Residentes en el Extranjero (CERE), the number of Spaniards who have left Spain to set their residence in another country has increased significantly from 1 million in 2002 to 1.4 millions in 2010.



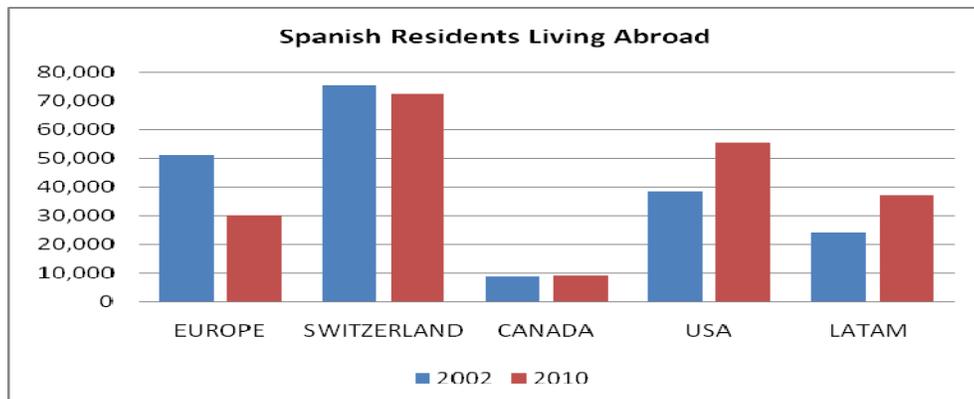
Source: Author based on data from the Instituto Nacional de Estadística. http://www.ine.es/oficina_censo/cifras_electores.htm

An analysis by city shows that Madrid, Barcelona, and A Coruña have witnessed the highest emigration trend.



Source: Author based on data from the Instituto Nacional de Estadística. http://www.ine.es/oficina_censo/cifras_electores.htm

It is significant that despite the fact that labor market in Europe is open to Spaniards; the number of Spaniards choosing to move within Europe has decreased significantly. For instance, the number of people choosing Switzerland—the traditional working country chosen by most Spaniards in the 1950's— has decreased. This graph shows that instead the US and Latin America are the two areas which have been receiving this new wave of Spanish emigration.



Source: Author based on data from the Instituto Nacional de Estadística. http://www.ine.es/oficina_censo/cifras_electores.htm

Its underlying production strength and growing exports have meant that Germany is once again short of workers. This time, however, they do not need low skilled workers to help build and reconstruct the country as it happened in the 1950s. Rather, Germany needs “between 500,000 and 800,000 new skilled

employees”⁶ to continue supporting its economic growth which in 2010 surpassed 3%. This shortage of workers and a possible project of bilateral cooperation in the workplace were the main theme of the German agenda during the regular Spanish-German consultations that took place on February 3 in Madrid.⁷

The Unemployment Rate as an Economic and Political Indicator

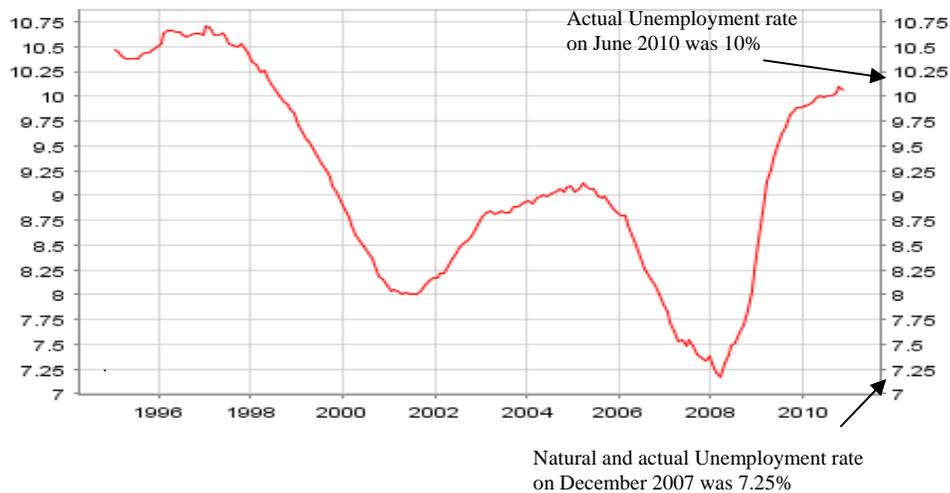
Unemployment has historically been the Achilles’ heel of the Spanish economy. For this reason the health of the economy is mostly measured by the unemployment rate reported every month. The unemployment rate hints at the performance of other economic indicators. For instance, if the unemployment rate is high, it is expected to be followed by a drop in gross domestic product (GDP), inflation, and consumer and investment spending, and an increase in government spending, among others. There are three important types of unemployment—actual, natural, and cyclical—and each one sheds light on what is the main problem affecting the country.

The actual rate of unemployment is the one reported for a particular time period. The following graph portrayed the evolution of the unemployment rate in the Eurozone, and shows that the actual rate of unemployment on November 2010 was 10.1%. The natural rate of unemployment is the unemployment recorded when the economy is not suffering from severe fluctuations. The evolution of the unemployment rate in the Euroarea shows that, in the past two years, the Eurozone has suffered a dramatic increase in unemployment from an all time low of 7% in the first quarter of 2008 to an all time high of 10% in 2011. It would be safe to say that the natural rate of unemployment in the Euroarea 15 is between 7%-8% as this level is the lowest rate right before the recessionary phase of the business cycle. Finally, cyclical unemployment is the involuntary unemployment associated with a change in the business cycle which, in this case, would be 3%.

⁶Efecom, “Alemania estudia ofrecer trabajos cualificados a jóvenes españoles en paro,” *Economista.com*, January 21, 2011. <http://www.economista.es/economia/noticias/2762832/01/11/Alemania-estudia-ofrecer-trabajos-cualificados-a-jovenes-espanoles-en-paro.html>

⁷ Europa Press, “Germany plans to offer jobs to unemployed young Spanish,” *Libertad Digital*, January 22, 2011. <http://translate.google.com/translate?hl=en&sl=es&u=http://www.libertaddigital.com/economia/alemania-planea-ofrecer-trabajo-a-jovenes-espanoles-en-paro-1276412505/&ei=Nqc9TcuhBMH68Aa2grj6Cg&sa=X&oi=translate&ct=result&resnum=1&ved=0CCMQ7gEwAA&prev=/search%3Fq%3DAlemania%2Bplanea%2Bofrecer%2Btrabajo%2Ba%2Bj%25C3%25B3venes%2Bespa%25C3%25B1oles%2Ben%2Bparo%26hl%3Den%26client%3Dfirefox-a%26hs%3D0ek%26rls%3Dorg.mozilla:en-US:official%26prmd%3Divns>

Following the data provided by the National Bureau of Economic Research (NBER)⁸, I have highlighted in blue the beginning and end of the last recession together with the unemployment rate. According to the NBER, the business cycle reached its peak in December 2007 inaugurating the recessionary phase of the business cycle which reached its trough in June 2009.⁹ The graph shows that despite the NBER marked the end of the recession on June 2009, the unemployment rate in the Eurozone has kept on rising.

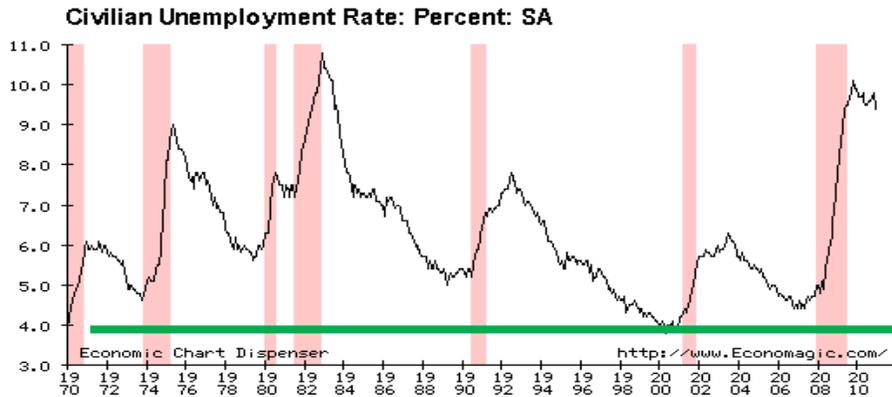


Source: European Central Bank, "Unemployment rate." <http://www.ecb.europa.eu/home/html/404.en.html>

⁸National Bureau of Economic Research, "Business Cycle Dates." <http://www.nber.org/cycles/cyclesmain.html>

⁹The World Bank, "Doing Business." <http://www.doingbusiness.org/rankings>

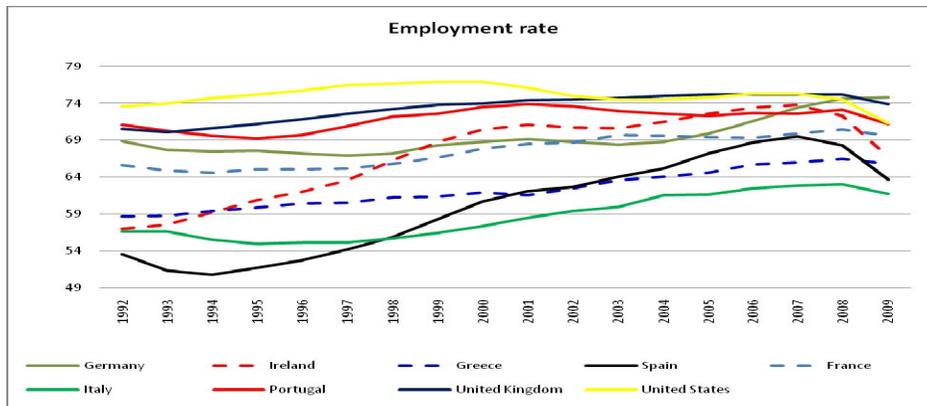
However, the following graph demonstrates that the unemployment rate in the US is synchronized with the business cycle because since June 2009 the unemployment rate has been going down. In the case of the US, the natural rate of unemployment is considered to be around 4%-5% and the cyclical unemployment is about 6%.



Economagic. "Civilian Unemployment Rate: Percent: SA."
<http://sub0.economagic.com/gif/g9806401220154161026364265083538293.gif>

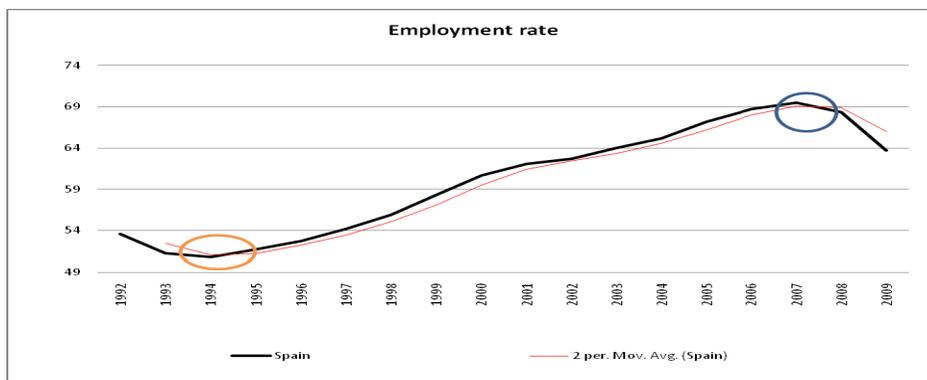
These two graphs show that while in the US the natural rate of unemployment is around 4.5%, the Eurozone has a natural rate of 7%. This difference could be explained by understanding and analysing different structural factors that affect the functioning and organization of each labor market.

The most important piece of information is the unemployment/employment rates which together with GDP and Consumer Price Index make up the three main macroeconomic indicators. The graph below demonstrates that the employment level in Spain has fluctuated significantly from an employment rate of about 50% during the first years of the 1990's to all time high of 70% in 2007. This graph shows that the US has the highest employment level and that the U.K and Germany enjoy the most stable and high employment levels among the EU-27. Finally, Ireland and Spain have witnessed an impressive improvement in their employment rates; however, since 2007 have suffered a dramatic drop. This sharp fall of the employment rate has not only economic effects, but also very painful social implications and, in some cases, potentially dangerous political results.



Source: Author based on data from the Organization for Economic Co-operation Development. "Employment rate." http://www.oecd.org/statsportal/0,2639,en_2825_293564_1_1_1_1_1,00.html

The following graph shows the employment rate in Spain from 1992 to 2009 with a two years simple moving average (SMA). The crossing of the SMA and the employment rate signals the change in trend. In 1994 the SMA crossed the employment rate marking the beginning of an improvement in the employment rate that has lasted until 2007. This year they crossed again and the employment rate began to decline. Further, the blue box in the graph indicates the recessionary period as recorded by the NBER. In 2008, the SMA and the economic indicator had crossed and there was a change of trend which coincides with the beginning of the recessionary period.



Source: Author based on data from the Organization for Economic Co-operation Development. "Employment rate." http://www.oecd.org/statsportal/0,2639,en_2825_293564_1_1_1_1_1,00.html

It is important to mention that this symbiosis between the unemployment rate, the SMA, and the business cycle transform the Spanish employment rate

into a solid economic indicator capable of signaling a change of a trend. This is very valuable information not only for economics, but also for political purposes.

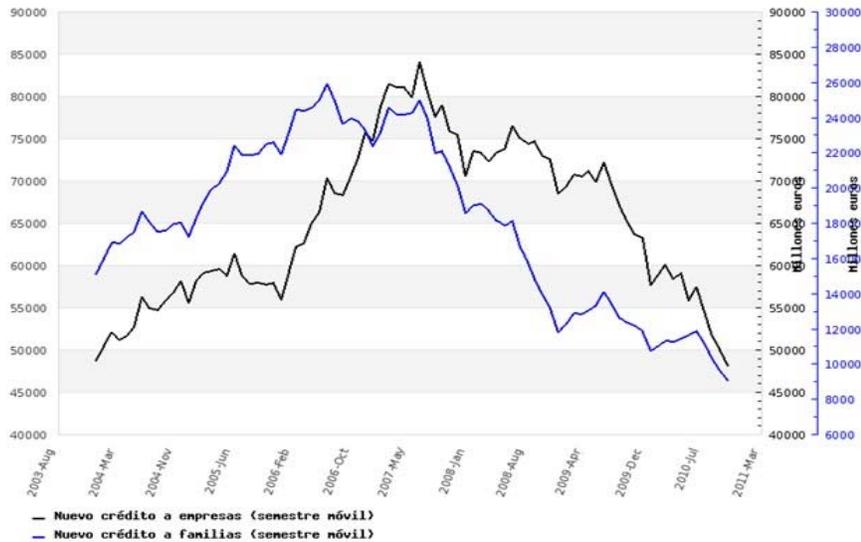
Spain and the Brain Drain: What your Country Can Do and Offer You

There are many factors that could explain the current wave of migration and why Spain is currently not offering what is needed to retain highly skilled and well-educated workers. However, this section would focus on the importance of credit to creating and maintaining businesses and companies, and the weight of innovation and research to maintain and attract the brightest. These two points would help explain that in Spain the entrepreneurial spirit is very low.

To begin with, the latest data from the Banco Central de España demonstrates that businesses are cutting down on credit. In fact, the rate of demand for credits worth less than one million euros has dropped 14.3% and has dropped 24% for credit over one million euros.¹⁰ This reduction in credit demand is portrayed in the graph below and it is what has been labeled the Spanish Credit crunch.¹¹ This credit crunch means that businesses are reducing demand of funds which means that business are still stalling investment project. This lack of investments explains that one in every four employers are expected to cut its workforce in 2011 because the negative views on the performance of the Spanish economy.

¹⁰Banco de España, “Tipo de interés aplicado por las IFM a los residentes de la UEM.” <http://www.bde.es/webbde/es/estadis/infoest/a1921.pdf>

¹¹Juan Carlos Barba, “El crédito a las familias y empresas se desploma a un ritmo record,” Libertad Digital, January 10, 2011. <http://www.libertaddigital.com/economia/el-credito-a-familias-y-empresas-se-desploma-a-un-ritmo-record-1276411403/>



Source: Juan Carlos Barba, “El crédito a familias y empresas se desploma a un ritmo record.” Libertad Digital, January 10, 2011. <http://www.libertaddigital.com/economia/el-credito-a-familias-y-empresas-se-desploma-a-un-ritmo-record-1276411403/>

In an effort to halt this credit crunch, the Instituto de Crédito Oficial has just renewed the 2011 collaboration with La Caixa to allow businesses and individual freelancers to have access to more than €1,500 millions to finance start-ups and businesses in three fronts.¹² These funds are expected to first provide capital to help businesses with new investment plans. These new projects would help companies find new business opportunities and, in turn, kick start GDP growth. Secondly, part of these funds are destined to help those companies which are expanding internationally. Finally, the purpose of these resources is to provide capital to business which are facing liquidity problems.

To accompany this effort, the Spanish government approved on January 14, 2011 the Plan Apoyo a los Emprendedores. This plan has received €84 million to contribute to the creation of companies; in particular, the government believes that this endowment will help create 5,000 new companies and will end up moving up to €300 mill.¹³ This new plan must be implemented by the Government in order to keep up with the so-called “Small Business Plan” approved

¹²“La Caixa concede más de 40,000 créditos ICO a empresas y autónomos,” Libertad Digital, January 5, 2011. <http://www.libertaddigital.com/profesionales/la-caixa-concede-mas-de-40000-creditos-ico-a-pymes-empresas-y-autonomos-1276411086/>

¹³ EFE, “El Gobierno destina 84 millones de euro al Nuevo Plan de Emprendedores,” Libertad Digital, January 14, 2011. <http://www.libertaddigital.com/profesionales/el-gobierno-destina-84-millones-de-euros-al-nuevo-plan-de-emprendedores-1276411878/>

by the European Commission in June 2008.¹⁴ The government has earmarked €15 million to launch a new guarantee program for entrepreneurs. Also the Ministry of Industry, Tourism and Trade is going to renew specific funding lines for young entrepreneurs worth €20 million and for women entrepreneurs worth €1 million. Also, €20 million are budgeted to help create and consolidate more than 150 new companies, and around €6 million have been approved to advise entrepreneurs to launch their initiatives. Finally, up to €2 million are budgeted to hold seminars to promote business values and, most curiously, the so-called “Entrepreneurs Day.”¹⁵

However, in order to create new companies and increase business investments to boost the economy, it might be more important and cheaper to reduce red-tape and taxes, and improve the labor market conditions. Nonetheless, the number of companies that filed for bankruptcy fell by 3%, which is a good recovery sign according to the ‘Schedule Bankruptcy 2010’ prepared by PwC.¹⁶ According to the data published by the “Doing Business Index”¹⁷ which measures how “business friendly” countries are, in 2011 Spain ranks number 49 in a list of 183 economies. Spain ranked 144 in 2010, and 147 in 2011 on the measure that determines how easy is to start a new business. On a third important category—dealing with construction permits, registering property, getting credit, and protecting investors—Spanish ranking dropped rather than improved it. Finally, where Spain must really improve is in speeding up important tasks such as legalizing the company’s registration and obtaining a municipal license to open a business premises which can take from 15 days to up to 3 months.

These results explain that although 93% of the population in Spain has a high literacy rate, only 5.7% of the population has in mind the idea of opening a business in the next 3 months versus a level of 14% in the US. The following graph compares employment levels between two very important sectors of the labor market: professional workers, and legislators and other political appointees. While the first group which represents the economic motor of any nation seems to be in a plateau, the second group has seen a significant increase.

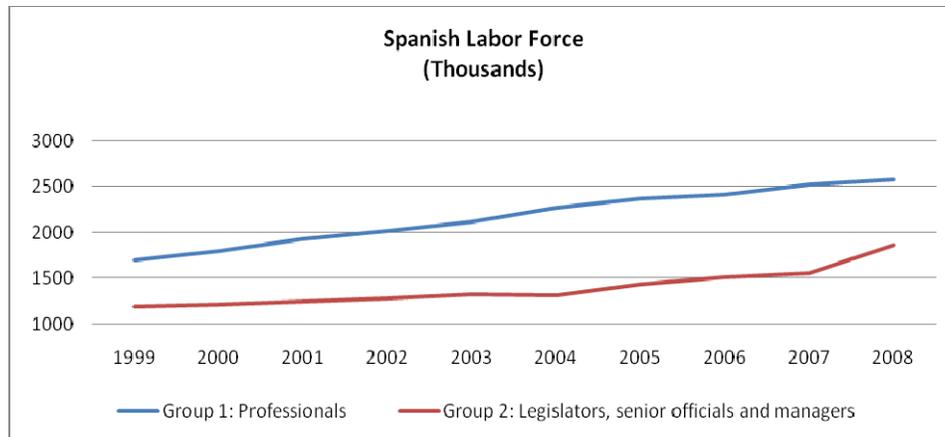
¹⁴Eurostat, “Science, Technology and Innovation.”

http://epp.eurostat.ec.europa.eu/portal/page/portal/science_technology_innovation/data/database

¹⁵Rodolfo De Juana, “84 millones para apoyar a nuevos emprendedores,” *MuyPymes*, January 14, 2011. <http://muypymes.com/agenda/ayudas/6973-84-millones-para-apoyar-a-nuevos-emprendedores.html>

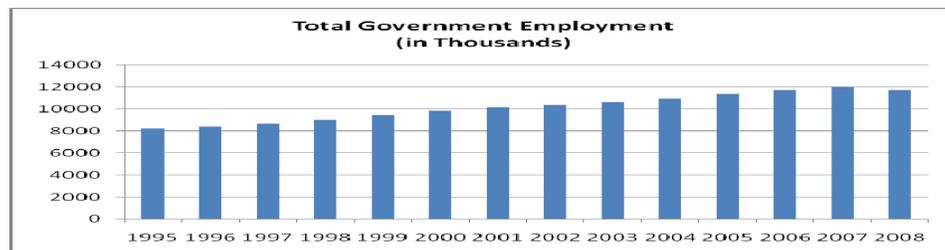
¹⁶Europa Press, “Las quiebras empresariales bajan un 3% en 2010,” *Libertad Digital*, January 10, 2011. <http://www.libertaddigital.com/profesionales/las-quiebras-empresariales-bajan-un-3-en-2010-1276411423/>

¹⁷The World Bank, “Doing Business.” <http://www.doingbusiness.org/rankings>



Source: Author based on data from International Labor Organization. "Spanish Labor Force." <http://laborsta.ilo.org/STP/guest>

Another important type of employment that should be analyzed is the total government employment in Spain. The following graph shows that this level has increased significantly from 1996 to 2007. It is interesting to highlight that this increase took place during the expansionary phase of the business cycle; that is, when the entrepreneurial spirit of Spain should have been at its peak.

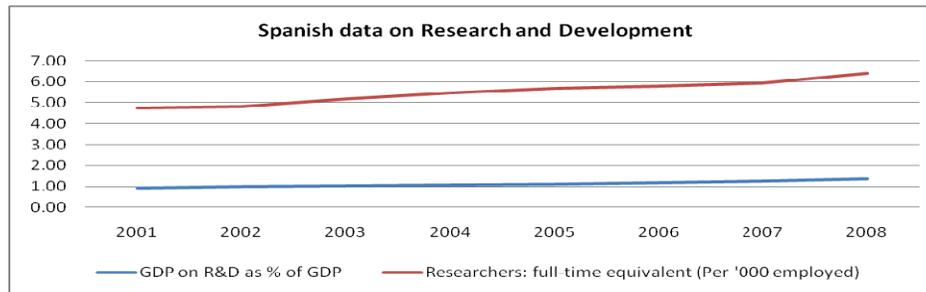


Source: Author based on data from International Labor Organization. "Spanish Labor Force." <http://laborsta.ilo.org/STP/guest>

The second reason that can explain the current rate of brain drain in Spain is the lack of investment in research and development. The last Community Innovation Survey¹⁸ concluded that between 2006 and 2008, 80% of companies in Germany had tried any kind of innovative activity versus 43% of Spanish companies which makes Spain the country with the worst record among the EU-15. For instance, in today's technological environment, only 62% of business and companies in Spain have a webpage to sell or advertise its products versus Denmark (88%), Germany (84%), or Austria (80%). The graph below

¹⁸Catherine Bolgar, "Germany- The Home of Smart Innovation," Wall Street Journal. <http://online.wsj.com/ad/article/germany-innovation.html>

shows that there has not been a serious attempt to invest in research and development since it has only increased 1.5% from 2001 to 2008, a very small percentage compared to the fact that according to the World Economic Forum's WEF Global Competitiveness Report 2010-2011 "Germany is the international leader in terms of capacity for innovation, occupies fourth place for company and government spending on -R&D, and secures the sixth spot for quality of scientific research institutions."¹⁹



Source: Author based on data from Organization for Economic Co-operation Development. "Spain Statistical Profile."

http://www.oecd-ilibrary.org/economics/country-statistical-profile-spain_20752288-table-esp

Similarly, the number of full-time researchers has not increase during this time either. The Ramon y Cajal plan to bring back Spanish talent has not worked as expected since "out of the 774 researchers given contracts in the first phase of the program, only 437 have managed to obtain permanent positions."²⁰ Also, during the "Jornadas de jóvenes post-doc en el extranjero" organized by the Consejo Superior de Investigación Científica (CSIC) in Madrid on December 2010, was concluded that

"el problema no es la falta de institutos de alto nivel en España, sino que con la formación que traen tras sus estancia en el Extranjero, estos científicos españoles jóvenes no deberían optar a puestos de investigación junior, que son los que hay disponibles, sino que tendrían que tener a su cargo su propio proyecto."²¹

¹⁹Catherine Bolgar, "Germany — The Home of Smart Innovation," Wall Street Journal. <http://online.wsj.com/ad/article/germany-innovation.html>

²⁰El País, "Ramón y Cajal Program: Spain's brain drain scheme leaves scientists redundant," BarcelonaReporter, November 16, 2006.

http://www.barcelonareporter.com/index.php?pg_print_article/ramn_y_cajal_program_spains_bain_drain_scheme_leaves_scientists_redundant/

²¹Europa Press, "Dificultades de los jóvenes científicos para regresar a España," El País, December 26, 2010. http://www.elpais.com/articulo/sociedad/Dificultades/jovenes/cientificos/regresar/Espana/elpepusoc/20101226elpepusoc_1/Tes

Based on these findings, it makes sense that most of the Spanish companies listed on the IBEX-35 have been looking for opportunities outside Spain. For example, Telefónica, Santander, Repsol, Prosegur, OHL and Mapfre are some of the Spanish companies which have been successfully branching out in Latin America for the past ten years and who have been responsible for taking with them the best and the brightest. But not only multinational companies are expanding, but also Spanish small and medium size businesses are looking for business opportunities outside national borders; the latest effort has been a delegation of 24 mid-size companies going to Turkey. Part of the reason maybe that Turkey is receiving funds from the EU to improve public infrastructure and services to the point that Spanish total investment in this country in 2009 reached an impressive €18 million.²² But Spain is mainly expanding in South America at the same time the Interamerican Development Bank (IDB) and the World Bank are investing new money in this region.²³ The IDB has pledged to provide the area with new money totalling US\$12.900 million to fund a total of 170 projects and increased by US\$512 the already provided amounts to fund technical cooperations. Also, the World Bank has earmarked US\$49,300 millions—which supposes an increase of 18%—to fund projects that would continue fighting poverty.

Final Words

This paper argues that when the economic conditions of a country worsen, there tend to be an increase in the level of unemployment which in extreme cases ends in mass labor migration. If this is led by highly-skilled and qualified workers is called a brain drain. This labor migration is a zero-sum game since those leaving the county take with them knowledge and expertise—impoverishing the country politically, economically and socially—but enhance the factors of production in the country of adoption.

This migration could be prevented depending on the measures taken by the country to retain their highly qualified workers. These workers have spent time and put effort into obtaining knowledge and skills; thus, they are contributing much to their country. But the political, social, and economic stability of a country not only depends on what society can do for the country but also on what the country is willing and able to do for its citizens.

²²“24 Empresas españolas analizan en Estambul nuevas posibilidades de negocio,” *Libertad Digital*, January 14, 2011. <http://www.libertaddigital.com/profesionales/24-empresas-espanolas-analizan-en-estambul-nuevas-posibilidades-de-negocio-1276411828/>

²³“América Latina ofrece a las empresas madrileñas proyectos de desarrollo,” *Libertad Digital*, January 11, 2011. <http://www.libertaddigital.com/profesionales/america-latina-ofrece-a-las-empresas-madrilenas-proyectos-de-desarrollo-1276411617/>

This paper presents that the Spanish working population is well-qualified and highly skilled and due to the current economic crisis these qualified workers are finding job opportunities in other countries. This has a negative effect on Spanish factors of productions. Also, this paper has identified two reasons that explain this trend. One factor is the current lack of credit available to develop businesses that is not only hindering the entrepreneurial spirit but also postponing hiring and affecting the level of unemployment. The second factor is a very low investment in research and development which is negatively affecting the opportunities for researchers and academics.

History tends to repeat itself. This time Spain is suffering a surplus of labor and Germany is suffering a shortage due to Germany's spectacular economic growth. The first law of economics is that demand and supply will always tend to find equilibrium. In this case, Germany has reported that in order to sustain economic growth, the country is in demand of more workers with qualifications in the areas of engineering and telecommunications. Spain has a large surplus of workers with those requirements and it can be anticipated that the equilibrium will be achieved in a way that is unfavorable to its economic prospects.

IV. The Exterior Dimension

A Democratic Audit of Spain's Foreign Policy

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Abstract

The paper aims at auditing the democratic quality of Spain's foreign policy. To do so, it will examine various interrelated dimensions: the degree of consensus or competition among the main political parties; the quality of public debate in civil society, media; the degree of prospective or retrospective accountability by public opinion, Parliament or other relevant actors; and the role of the Parliament. The paper will also deal with two other topics: the efficacy of its administrative and policy machinery; and the tension between values and interests, with a special attention to the place of democracy promotion and the protection of human rights and development cooperation.

Introduction

This paper aims to undertake a democratic audit of Spain's foreign policy. Such an effort has both a normative and an empirical dimension. Normative because it discusses questions related with how foreign policy *ought to be* run in a democratic polity. Empirical because it also tries to establish how foreign policy *is in fact run* in Spain. As this is a large exercise which cannot be dealt with in a short paper, this paper represents an initial attempt to set up the analytical framework and test its empirical application to the Spanish case with the aim of testing and eventually refining the model. Ultimately, the aim is to develop a rigorous model for testing and auditing the democratic quality of government's action in the realm of foreign policy.

What justifies this endeavor? In his famous Gettysburg address, President Abraham Lincoln defined democracy as government of the people, by the people, for the people.¹ These three dimensions of legitimate democratic government

¹ “[...] that we here highly resolve that these dead shall not have died in vain, that this nation under God shall have a new birth of freedom, and that government of the people, by the people, for the people shall not perish from the earth”. Abraham Lincoln, “Gettysburg address”. 19 november 1863, Gettysburg, Pensilvania.

have become classic in comparative politics. However, they have very seldom been applied to the realm of foreign policy. This is probably due to the fact that foreign policy analysis is a discipline which very often is excluded from standard comparative analysis and thus carried by international relations specialists, whose theoretical assumptions and normative preoccupations usually lay far off the territory of public policy and comparative politics. With exceptions like the so-called democratic peace theory, (Doyle 1983) international relations theory tends to ignore everything related with the characteristics of the units (the states), and therefore concentrates in the characteristics of the interactions among them (Waltz 1979). Trying to contribute to the filling of this lacuna, this paper makes an attempt to translate these dimensions of legitimacy to the real of foreign policy. It also contributes to the wider discussion on whether foreign policy is a *domain réservé*, i.e. a sphere of politics in which, given its special characteristics, government actions cannot be subject to the same standards of accountability, responsiveness and transparency.

To run a democratic audit of a country's foreign policy, three elements are essential. First, a discussion about the extent to which foreign policy must be subject to political consensus or contestation. Are there permanent national interests, dealing with the hard core of the state's functions and its survival in a world characterized by sovereignty and weak norms, which all governments must defend irrespective of its political color? Or is foreign policy just another public policy which can therefore be subject to contestation and change depending on the electoral cycle? This is a normative question, dealing with how things ought to be in a democracy, but also practical, since there is a reasonable argument to be made that no matter the right of each government to follow its voters' preferences and thus, if so demanded, change course in foreign policy when acceding to power, a stable and bipartisan foreign policy is more likely to be effective than one which changes with every election. Therefore, when it comes to foreign policy, the dilemma between legitimacy and efficacy seems to be the obvious point to begin with.

Second, an assessment of the democratic character of a country's foreign policy requires a close look at the mechanisms of control of the government's actions in the realm of foreign policy. This involves questions about transparency, responsiveness and accountability (both prospective and retrospective) of the government's actions; the participation of Parliament, media and social society as well as the role of public opinion. Therefore, it is not only the quantity of effective foreign policy that a government is able to deliver but its procedural dimensions that one has to look at.

Third, apart from the quantity and the quality, it is essential to examine the set of principles and values which a given foreign policy holds and promotes. In particular, whether the same values which are central in a democratic polity, i.e. human rights, democracy, equality, and so on, are the same values which the government promotes through its foreign policy actions.

Consensus in Foreign Policy

Spain shows something of an unstable record when it comes to the issue of consensus. For a country which has gone through a century-long period of isolationism, the extraordinary importance which foreign policy has played in Spanish domestic politics during its democratic period (1978-2011) represents a bit of a puzzle. Foreign policy, more particularly, the Iraq war, was not only decisive in bringing about the victory of J.L. Zapatero over J.M. Aznar (1996-2004) in the 2004 elections, but it played a key role during Zapatero's first term (2004-2008) and even continues having a last impact in its second mandate (2008 to-date). This has a two-fold explanation.

To the Socialist government, foreign policy has offered a very appropriate playing field when it came to strengthening the progressive values and principles on which its electoral victory in 2004 was built (Torreblanca 2004 & Torreblanca 2004b). At the core of this platform one could easily identify such. First, the Alliance of Civilizations, deliberately designed as a way of framing Islamic radicalization which would contrast with the US' view of a "war on terror" promoted by George W. Bush. Second, the exponential increase of funding for official development assistance policies so as to meet the 0.7% GDP goals set in the UN Millennium Declaration Goals and the subset of commitments thereby adopted which included important financial and policy commitments in relation to the fight against poverty and hunger. Third, a European policy which was sided by the Franco-German axis that the previous government had dismissed in order to build close ties with the US and the UK. Fourth, a defense policy aimed at strengthening European security identity, to the detriment of NATO and the transatlantic relations. All these elements brought together, the Socialist government has been at ease playing international politics at the multilateral level, channeling policies through both the UN and the EU rather than the US and NATO and placing a strong emphasis on global governance, multilateralism and international law.²

² See: "Una España más fuerte en un mundo más justo". Electoral Manifesto, PSOE, 2008; "En interés de España: una política exterior comprometida". President of the Government Address at the Prado Museum on 16 June 2008; "Más gobernanza global". Framework Paper at the 37th PSOE Congress, sections 229-242; "Alianza de Civilizaciones: iniciativa del Secretario General de Naciones Unidas en 2005 a propuesta de los gobiernos español y turco (see <http://www.unaoc.org/> y <http://www.pnac.es>).

To the opposition, foreign policy has been an attractive theme, too. Conservatives have found in the Socialist's foreign policy an element helping them to further harden their identification with their voters. Zapatero's foreign policy has been used by the Conservatives to exemplify the set of allegedly outmoded progressive values represented by the Socialists. The Conservative's speeches have portrayed Zapatero as a negotiator with a weak character unable to represent or adequately defend Spain's national interests. In contrast to Aznar, whom they portrayed as a leader with a world stature which led Spain to be among the countries which were at the helm of world politics, Zapatero's decisions would have badly damaged Spanish international image and turned Spain into an irrelevant country whom few trusted anymore. Examples of this highly-charged rhetoric have included, among others: criticisms of the Alliance of Civilizations as a dovish and counterproductive instrument in the fight against terror; the reluctance of Zapatero to accept that Afghanistan was a war scenario, not a development cooperation one, and therefore his resistance to change the set of very restrictive caveats governing its participation in NATO ISAF's mission in Afghanistan; the outcry about Zapatero government's cooperation in paying Somali pirates the ransom which would allow the hijacked vessel *Alakrana* and its crew to be freed; and a weak negotiating position with Morocco when it comes to sovereignty and other burning issues (Bardají and Portero 2007 & Bardají, 2010).

Both parties have used foreign policy to highlight the alleged radicalization of the opponent as well as to make visible their supposed moderation, as if both represented the prevailing consensus or the central position of the political spectrum. Socialists have criticized the Conservative's views on Afghanistan and Iraq as proof of how eccentric Aznar and the Spanish conservative policies were when compared with other conservative governments in Europe, like Germany and France. In particular, they have used foreign policy to highlight the alleged *neocon* tones dominating Conservative thinking on foreign policy. But, in a similar way, Conservatives have used the Socialist government's withdrawals from Iraq (2004) and Kosovo (2009), together with the initial lack of commitment to the ISAF mission in Afghanistan, as proof of a government which had turned Spain into a marginal and eccentric ally.

The bottom line of this debate is that, on almost every single issue, both government and opposition have claimed that they occupied the center, held the other party responsible for breaking an alleged pre-existent consensus, and accused the other party of having staged a U-turn and deviated from the consensus. Therefore, despite having found very little to agree on, both parties were framing foreign policy as if consensus was the preferred goal and bipartisan politics the ideal model. This represents a puzzle: in theory, both parties thought consensus to be a superior goal, but in practice a polarized model of competition in foreign policy has dominated Spanish politics at least since the Iraq war. Why would then the two main parties keep on advocating for something they were unable to obtain?

The answer to this lays in Spain's transition to democracy. With a tragic historical record of divisions, conflicts and even a civil war, Spain's transition to democracy glorified the concept of "consensus" as the ideal method of problem-solving. This had the unintended effect of making legitimate policy differences hard to sell to public opinion, as if it was a failure of the political class to disagree on some topics. As a consequence, rather than arguing that electoral majorities gave governments the legitimate right to run policies in the direction they wanted (with the obvious limits set by the Constitution and Parliament), there was a strong incentive to represent one's partisan preferences as neatly fitting with abstract national interests, state policies or consensual agreements when in fact they hardly were so.

The discussion on consensus requires both a normative and an empirical approach. On the one hand, one can enquire whether there was any, or how much of it was there. On the other hand, one could discuss whether there should be, much or any at all. Despite the common perception there was much of a consensus in foreign policy throughout its democratic period is in fact, arguable. True, there was consensus on the fact that the new Spanish democracy would break up with the country's isolationist past. General Franco's authoritarian regime had little else than a pariah status in the international community, especially among the Western ones due to its original links with Hitler and Mussolini. Spain had not been among the founding members of the UN, NATO, the EEC or the Council of Europe, it had not benefitted from the Marshall Plan and it was only part of the Western security arrangements through the back door provided by the 1953 agreements with the US. Naturally, democracy would and should automatically put an end to this (Espadas-Burgos 1988 & Portero 1989).

However, one must drop a caveat when it comes to consensus and foreign policy in democratic Spain. To begin with, since there were no alternatives, accession to the EEC was not an "either / or" question but a simple must for any government. More so, one could easily picture Spanish accession to the EEC as something which clearly exceeded the realm of foreign policy or, alternatively, as something which had much more to do with domestic than with foreign policy. As represented by philosopher (Ortega y Gasset 1963: 521) Spain's tragic XXth century meant that "Spain was the problem and Europe the solution". In other words, the "Europeanization of Spain" was the driving force of Spain's transition to democracy, so there could hardly be any disagreement about that goal. The fact is that, beyond the consensus on the need to join the EEC, an obvious move which made all political and economic sense and ran in parallel with Greek and Portuguese's accession demands, one sees very little consensus on a number of key issues or rather, one big telling disagreement on the key issue of Spain's insertion in Western security structures.

To exemplify this, the first democratic President, Adolfo Suárez, attended the Conference of Non-Aligned Countries in Havana in 1979 and it was only after his departure, in 1981, when the conservatives applied for NATO member-

ship and subsequently joined it. This was done despite the opposition of the Socialist party, who promised a referendum to pull the country out of NATO if and when gained power (which occurred in 1982). (Mujal-León 1986, Powell 1995 & Zaldívar 1991).

Thus, contrary to Central and Eastern European countries, which after the demise of Communism automatically applied for membership in both the EU and NATO, Spain took a long detour, flirted with different options and changed course on various occasions. This showed that whether its European identity was clearly delineated, this was not the case with its security identity. In that way, Spain compares with Ukraine, which is the only other European country where both public opinion and the political class has split in two concerning NATO membership and fiercely fought on it (Torreblanca 2001).

A further qualification on the consensus allegedly running through Spanish democratic foreign policy has to do with Latin America and the Mediterranean. For obvious reasons, these two areas have been a key priority of all democratic governments. However, they were also under Franco's regime. Therefore, to the extent to which consensus survives regime change, one can legitimately ask whether in fact it is something whose merit has to be attributed to democracy. In a similar vein, when one looks closer to the European policies of different democratic governments, it is hardly possible to hide that beyond the consensus prevailing about accession, Socialist and Conservative governments have in fact placed their policy focus on different issues, including foreign policy, which speaks of the existence of different visions of Europe. Generally speaking, on the one side, the Conservatives have centered on economic issues, closely looked at justice and home affairs, allied with the UK and the US when it came to foreign policy and adopted a rather intergovernmental approach to European treaty-making processes. Meanwhile, at the other end, the Socialists have found themselves at ease with the Franco-German axis, defended federalizing changes in Treaties and set the emphasis on economic regulation, citizenship and redistribution policies. Therefore, behind the apparent consensus reigning in Spain's European policy, the fact is that successive governments have pursued a quite contrasting set of goals and policies.

As seen, a close look at Spain's foreign policy shows substantive and structural differences between the two main parties. Is this really so important? One may argue that the fact that Aznar could so deeply deviate from the policies of González and closely align Spain with the UK, the US and other "rebel" EU members at the time of the Iraq war bears nothing extraordinary in itself. Equally so, that Zapatero could change course and adopt a U-turn once in power would not in fact spell a weak polity or a low quality foreign policy, but rather reflect a mature political system. Spaniards like to think of themselves as exceptional, but when one looks at the foreign policies of countries which are always considered as a model, one sees in fact a pattern of disagreement which can even exceed what would be considered acceptable in Spain. Take for example, the UK, where

EU membership is deeply contested; France, where Sarkozy broke with decades of Gaullism with its decisions to move France into NATO integrated military structure; Germany, where Schröder broke ranks with the US in a way which Helmut Kohl and the conservatives would have never dreamt of; or Poland, where the departure of the Kaczynski government meant a thorough review of one key element of its foreign policy, i.e. relations with Russia.

One can thus discuss whether stability adds to the effectiveness of foreign policy, but the claim that change undermines the legitimacy of foreign policy has to be substantiated rather than just taken for granted. Otherwise one would be falling in the trap of going back in time to periods of history when a diplomatic elite claimed to be the sole interpreter of a country's national (and permanent) interests, and therefore the sole one able to design and execute foreign policy. In a democracy, diplomats are, just like the military, civil servants who obey governments, which in turn are bound by law and accountable to the public through Parliaments and elections. Therefore, governments have a legitimate right to steer foreign policy and change it as they please.

In a democratic society, there is not one national interest, but many interests, and the task of the political system is to represent them. Since politics is, in the classic definition of Lasswell (Lasswell 1963) about "who gets what when and how" or Easton's (Easton 1953) "the authoritative allocation of values", conflict and contestation are as legitimate as cooperation and consensus, provided that democratic procedures are used. So, interests can be accommodated, exchanged or directly ignored by government if they so wish.

It thus seems necessary to put an end to the conceptualization of change and disagreement in the realm of foreign policy as the consequence of weak political system or a lack of loyalty and strategic vision of the government, the opposition, or both. All countries' foreign policies are based on a set of elements which are more or less given and variable (geography, economic size, culture, history, demography, etc). These are the building bricks on which governments must base their actions. In the particular case of Spain, no matter which government is responsible for foreign policy, the stage is unchanged and remains the same: Spain is a European (and Europeanist), country, of middle-income and size and geography, whose history and culture makes it a relevant actor in the Atlantic, Latin America and the Mediterranean. At the same time, Spain is also an advanced democracy, with a social welfare state, an ample definition of citizenship and a number of pre-established international commitments in areas like human rights, security and development, among others. These political parameters are also rather static, in that they cannot be completely changed or contradicted by governments. Any change in this set of parameters is likely to take place slowly; therefore its impact on policies will be gradual (Torreblanca 2010).

The Efficacy Dimension

In this section, the quantity dimension of legitimacy is examined, i.e. how much effective foreign policy is the government able to deliver? This is usually referred to as “output legitimacy”. This type of legitimacy leaves aside whether the public, civil society or Parliament is fully involved in the policy-making process or in holding policy accountable. In other words, it adopts a utilitarian point of view: the more efficient policy the system is able to produce, the better. It is therefore quantity that the focus is placed on, not quality.

Here, one must say, there are a series of shortcomings which both the literature and expert analysis have recurrently coincided in. To begin with, despite the commitments expressed in the 2004 and 2008 electoral platforms of the Socialist Party, once in power, the government has not been able to set in motion and satisfactorily conclude the much-needed reform of the Foreign Service. Demand for a thorough reform of the Foreign Service has not, as it could be thought of, only been a preoccupation of the academia and the expert community. In fact, the issue has ranked first among government and foreign ministry concerns.

Spain’s foreign policy structures have not been adapted neither to the changes in Spain’s international position (which in the last 30 years has moved from isolation and backwardness to a prominent international position) nor to the changing international context, where accession to the EU and the appearance of new actors, problems and dynamics at the international have made clear the need to both redeploy Spanish diplomatic missions abroad as well as to change the training, profile and careers of its diplomatic service. Already in 2004-2005, the Committee for the Reform of the Foreign Service described the reform as “impossible to postpone further”. However, despite the official White Paper on the Reform of the Service identifying “problems of coordination”, “lack of planning” and “inadequate management procedures” as pervasive problems within the Foreign Service, the reform stalled upon intra-Cabinet disagreement and was subsequently dropped.³

With elections ahead in 2008, the government promised again to rescue the dossier, but then a new excuse was found to postpone the reform: with the Spanish rotating Presidency of the EU scheduled for the first semester of 2010, it was argued, the Foreign Ministry needed all the energy to concentrate in preparing the Presidency. Many hoped that, as it has usually been the case with unpopular domestic reforms, the government would use the EU as a much welcomed excuse for breaking domestic deadlock. In this case, however, the deployment of the European External Action Service (EEAS), which in theory provides for a fine justification to reappraise the structure and functioning of national foreign

³ Comisión para la Reforma Integral del Servicio Exterior, “Informe sobre la reforma del Servicio Exterior”, MAEC, 20 June 2005.

policy systems, has been slower and much less contentious than expected, so it has hardly provided the justification which many believed the reform needed.

With the project shelved, a minimalist reform of the Foreign Service was approved: this included an increase of the size of the diplomatic service and the attempt to revitalize the Foreign Policy Council, a dormant institution which had been of little use since its creation.⁴ The first measure helped fill a historic gap, for Spain, despite being the world's 12th economy, had only a thousand diplomats, fewer than the Netherlands. Yet, its effects would take some time to be felt for the Spanish system of diplomatic recruitment was not only slow but also too old-fashioned to produce in a short period of time the diplomats which the country needed. Moreover, since the Spanish system of recruitment did not value specialization but harmonization (meaning all candidates had, despite their origin and formation, to be competent in all subjects), it would hardly contribute to fill the expertise gap for regions or themes on which Spaniards have traditionally lacked the knowledge or the expertise.⁵

As for the second measure, it made sense on paper, but this did not guarantee that it would succeed. The Defense Ministry had its National Defense Council, chaired over by the King himself, to coordinate security policy, and even the Interior Ministry had approved its own Homeland Security Strategy without paying much attention to the Foreign Ministry. In fact, the truth was that the Foreign Ministry had not taken the time to produce a foreign policy strategy, so it had not assured itself an equivalent role in the policy process. Time would then show that it was just a mere sign of wishful thinking by the Ministry of Foreign Affairs that it could take on the coordination of other ministries (such as Defense, Economy, Interior or Justice) which were much more powerful than it and which were staffed by political heavy weights from the Socialist party. In fact, as the various foreign policy crises which the Socialists went through proved, the only actor able to coordinate the different ministries was the Vice-president of the government, Fernández de la Vega, who on the occasion of crisis like the surge in illegal immigration which the country witnessed throughout 2006-2008 (specially from small vessels originating in Subsaharian Africa and landing on the shores of the Canary Islands) and, later, at the time of the hijacking of the *Alakrana* tuna trawler in the Indian Ocean, proved to be the only one able to coordinate the major ministries with foreign responsibilities.

All of this pointed out to the growing marginalization of the Foreign Ministry, which was unable or unwilling to convene the Foreign Policy Council, and which, paradoxically, saw a further blow to its centrality with the entry of force of the Lisbon Treaty and the dominant role acquired by the G-20 financial

⁴ Artículo 4.4 RD 1389/2007 which modifies the Real Decreto 1412/2000, 21st July, from the creation of the Council on Foreign Policy.

⁵ Order AEC/2783/2006, of 7 September 2006; Real Decreto 1389/2007, of 29 October 2006, modifying Real Decreto 1412/2000, of 21 July creating the *Consejo de Política Exterior* (BOE 2007/10/30 A44026-44027).

crisis. To begin with, the institutional changes adopted by the EU institutions following the Lisbon Treaty meant that the rotating presidency visibility and role in the realm of foreign affairs was suppressed in favor of the new EU High Representative for foreign policy, thus relegating foreign ministers from the task of presiding the more political Foreign Affairs Council to the more technical Council of General Affairs. More importantly, with the changes in the format of the European Council, the Foreign Ministers ceased to sit by the Heads of State and Government of the EU at Council meetings, thus losing one of the key strategic accesses they had to head of governments. And to make matters worse, as was the case of Spain, the key importance attached to the G-20 in the management of the financial crisis meant that Finance Ministers and Economic Advisers of the Presidents assumed the role of G-20 sherpas, thus further marginalizing foreign ministries.

The overall impact of all these events was very marked: rather informally, Spain's foreign policy has developed a two-pronged structure. For all important matters, generally dealt with by multilateral institutions and involving the Prime Minister, the Prime Minister Office assumed the lead. For the less relevant issues, mostly bilateral relations and the daily management of Spain's commitment in multilateral institutions, the Foreign Ministry was in charge. In principle, this division of labor should not be prejudiced and should not necessarily affect the efficacy of the government actions. In fact, one could even think of some potential gains and advantages. The problem, however, is that this division of labor was not the product of design but a *fait accompli* determined by both the agenda, the relative political weight of different actors and the coordination demands which individual policy dossiers pushed for. Therefore, to the extent that these two tracks grow from each other and little attention was paid to the coordination of these two pillars, the overall coherence of the system was doomed to suffer. This, one can claim, is already the case when examining how the Foreign Ministry has crowded the foreign policy agenda with a set of priorities (from the Middle East to Cuba or Kosovo) which reflected more the freedom the Minister himself enjoyed to set his priorities and agenda rather than an overall strategic vision of the government as to which policies his time and energies should be dedicated to.

In the absence of a clear set of priorities, foreign policy has lacked coherence, and thus efficacy. This has been seen in the simultaneous investment on the improvement of a series of bilateral relations (e.g. with China, Russia and the Obama Administration) which, taken one by one, can be considered quite rational, and even successful, but which have seldom been perceived and graded in connection to one each other. Therefore, the government has tended to neglect the dissonances which its simultaneous attempt to seduce Obama, the Chinese authorities and the Russian government has produced, especially when it came to issues in which relations between them were tense (over, say, NATO expansion

and Afghanistan; the arms embargo and human rights issues with China, etc). (Areilza and Torreblanca 2009: 28-36).

The Quality Dimension

The next most obvious dimension to continue the foreign policy audit analysis has to do with the public's approval. Is government's foreign policy approved by the citizens? If so, this would mean that foreign policy is *responsive* to citizen's demands in that it reflects their overall preferences for what sort of goals should be pursued. Overall approval indexes of the type "what is your overall satisfaction with the governments foreign policy?" are not frequent, so in contrast with the availability of such type of indicators when it comes to other public policies (such as the management of the economy, health or education), one has to rely on the dedicated polls, when available; particular sections dedicated to foreign policy in nation-wide polls; or, even, in weaker proxies such as personal approval ratings for Ministers of Foreign Affairs.

In the case of Spain, the three elements are available: the Elcano Royal Institute for International Affairs runs a quarterly poll dedicated to the issue (though it lacks an overall approval question); second, the state-funded *Centro de Investigaciones Sociológicas*, dedicated to public opinion research, which frequently includes foreign policy related items in its polls; including questions about the approval rate of each minister, thus including the Foreign Minister.

Taking these three sources together what can be seen is an overall satisfaction of Spain's public with the foreign policy conducted by the Socialist government. This of course includes Socialist party's traditional voters but not only them. There are however three topics in which the public disapproves in the government's foreign policy.

The first one has to do with the deployment of the Spanish troops in Afghanistan, in the framework of NATO's ISAF. The mission is approved by only 45% of the electorate, but it is precisely among government voters where its approval is lowest (28%). In fact, in polls conducted in 2009-2010, what was evident was that a majority of Spaniards (54%), even if they considered that were evident links between Al-Qaeda and the Taliban (72% thought so) were in favor of withdrawing the Spanish troops.⁶

The second has to do with Turkey's accession to the European Union. This accession, which both the government and opposition have consistently supported throughout the last decade, lacks however resonance with the public preferences. Polls very seldom include this question, which cannot be seen as purely coincidental: in fact, the case seems to be that ever since polls on Spaniards' attitudes towards Turkey's accession started to give negative returns, the

⁶Elcano Royal Institute for International Affairs. BRIE 22, November 2009, p.88, 92, 135.

question has mysteriously disappeared from foreign policy polls. Evidence from 2005 (CIS 2589, January 2005) already showed that the public was against, which was consistent with Eurobarometer and Elcano polls asking similar questions⁷ (Chislett 2009 & Ruiz Jiménez and Torreblanca 2007).

Third, a reference to Cuba is necessary. Despite the government's quite visible commitment to normalizing relations with the Cuban regime and its consistent support of the lifting of the EU's 1996 Common Position on Cuba, which conditioned progress in trade and economic cooperation relations to political reform, the truth is that Spaniards are less enthusiastic about the Castro regime than what its government has consistently been. Accordingly, those in favor of increasing the pressure on the Castros' regime are not only the majority (61 versus 23%) but also the majority among the leftist electorate (43 versus 31).⁸

Except for these three items, there is a overall high degree of satisfaction with the Socialist's foreign policy. Throughout his term in office (2004-2010), rankings of popular approval have placed Foreign Minister Moratinos in fifth place compared to other members of government, which is no doubt remarkable given the degree of polarization which foreign policy has suffered.⁹

In peace time, foreign policy does not usually make it to the public as breaking news. So, occasions in which foreign policy permeates to the national debate and, in fact, polarizes public opinion, or at least discussions between government and opposition can provide good clues. In the case of Spain, leaving behind the Iraq war, the two issues which have probably attracted more attention between 2009 and 2010 have been, one, the withdrawal of Spanish troops from NATO's KFOR mission Kosovo and, two, the hijacking of the tuna trawler *Alakrana* by Somalian pirates and its subsequent liberation after the owners (allegedly) paid a ransom. In both occasions, the Conservative Party directed its criticisms at the government's lack of capacity, coordination and management skills and consistently mobilized its press and policy apparatus to try to erode government. However, in both cases, the strategy of the opposition apparently failed because the public approved both the withdrawal of Kosovo (which the government presented as a natural consequence of its decisions not recognize the state which emerged of the unilateral declaration of independence of February 2008) and the pacific liberation of the *Alakrana*'s crew (since only a minority approved the use of force to free the crew).

Another key element in holding government accountable in any contemporary democracy is Parliament (Herranz 2008). Here, two elements have to be mentioned. The first deals with Parliamentary approval of military missions abroad. Here, it should be noted, that the Socialists introduced a legal modification which required that the deployment of Spanish troops abroad should be de-

⁷CIS 2589/2005.

⁸ EU Common Position on Cuba, 96/967/PESC, 2 December 1996. *Official Journal* L 322 12/12/1996 pp.1-2

⁹CIS 2811/2009 and CIS 2815/2010.

bated and eventually approved by the Parliament.¹⁰ With this, the government deliberately aimed at its predecessor, J. M. Aznar, whose decision to, first, support George W. Bush invasion of Iraq, and then, once the combat operations were over, to send troops to the country, did not only lack public support but was in fact never debated in Parliament. By amending Article 4.2 of the Law of National Defense so as to make Parliamentary approval compulsory, the government very clearly wanted to raise the accountability of government when it came to foreign policy and to prevent a repetition of instances like Iraq where decisions had been taken against the clear will of an overwhelming majority of citizens. With this amendment, Spain adopted the highest democratic benchmark for defense policy, one which only Germany and Italy (for historic reasons as well) have also adopted but which is missing in countries such as the UK, France, Belgium and Poland where government discretion when sending troops abroad is the norm (Arteaga 2005).

The second element in which Parliament exercises a role when controlling the government and holding it responsible for its actions is through the role of Parliamentary Committees. Here, the problems are varied, the result being mixed in terms of the democratic quality of Spanish democracy. To begin with, Spain is a Parliamentary democracy, which means that Parliament is less independent from government than it is the case in systems with separations of power. Second, Spanish MP's are elected on party lists, not on individual constituencies, which means that they have strong incentives to act as a group and not to break party discipline, especially by adopting initiatives which can be sensitive to the government they support. Third, Chairs for the Committees are not allocated on a basis of merit or seniority, but on a system of party quotas and arrangements whereby parties distribute the Chairs according to overall criteria of balance and electoral strength. Again, this results in Chairs owing their position to their parties and not to their individual expertise. Fourth, since the government's party always enjoys the majority in the Committee, it is very seldom that it can openly challenge government policy opening enquires, calling individual experts, bring selected officials (such as Ambassadors) for testimony or commissioning independent reports. Add to this a rather meager staff and the lack of a professional research office staffed with policy experts and academics, and the result very clearly reflects a Parliament whose capacity to truly control government is rather weak or limited. The last two bilateral crises between Morocco and Spain, the first on the occasion of the hunger strike held by the Sahrawian activist, Aminetu Haider, and the dismantlement of the Sahrawian camp at Al-Aaún, have exposed the limitations of Parliament, and specially, its Foreign Affairs Committee, when forcing government to provide accurate, timely information as well as transparency about its actions and commitments.

¹⁰ Art. 4.2, Law on National Defence 7/2005 17 November (BOE 276, 18 November de 2005).

Transparency is certainly an issue in the Spanish foreign policy system. Despite the manifold increase in official development cooperation funds which have taken place in the last years, experts tend to denounce how the money spent in development cooperation is still far from being fully and immediately accountable. The result is that the Spanish development system has exponentially grown in quantity, but questions about quality and transparency remain.

Apart from the public at large and Parliament, the third instance which has the capacity to exercise control or hold government accountable is the judiciary. In this realm, one must note, democratic standards have suffered quite a setback with the recent modification of the regulations on the so-called “Universal Jurisdiction”. Thanks to the reform of the Law on the Judicial Power, Spain had one of the most progressive legislations in this realm, allowing its judges to accept cases for events related with genocide or crimes against humanity even if no Spanish citizens were directly or indirectly involved. As a consequence, the Spanish Audiencia Nacional, already renowned because of the work of Judge Garzón, became one of the preferred destinations of advocates and legal activists in the realm of universal justice. The government, however, saw with embarrassment that Chinese or Israeli leaders were being prosecuted in Spanish courts due to their actions in Tibet or Gaza, while the Foreign Ministry was prioritizing Chinese investments in Spain and its role as a neutral broker in the Middle East conflict. Accordingly, the law was changed, which effectively led to the closing of all the pending cases. This was very clearly seen as a move changing the logic of foreign policy from the normative rationality of democracy to the so-called “realist” rationality dominating in international politics. The change in Spanish law showed its impact when Judge Moreno refused to open a case on the deportation of Aminetu when it was quite evident that under the previous legislation he would have had to accept the case. With the new law, however, even if Haidar was a Spanish resident deported from Morocco to Spain and holding his hunger strike in Spanish territory, nothing could be done in Court.¹¹

In a similar way, the reading of the diplomatic cables of the US Embassy in Madrid facilitated by *Wikileaks* on matters like the Spanish inmates at Guantanamo, the CIA rendition flights and the Couso Affair (the Spanish journalist shot by US troops during the Iraq war), have left quite an ample shade over the independency of the judiciary when it comes to international justice. Furthermore, it has showed that there are limits to its capacity to shield itself from political pressures from either national or foreign governments and truly fulfill its role of defending the rule of law and protecting Spanish citizens or interests.

All these examples reveal a consistent pattern of lack of transparency and, therefore, difficulties to hold the government accountable for its actions.

¹¹ Carlos Espósito, “Una limitación de carácter furtivo”, *El País Daily*, 2 September 2009; “El fiscal de la Audiencia Nacional se declara incompetente para investigar las denuncias de Haidar”, *El País Daily* 3 December 2009.

This problem, which affects Spanish politics in general, is aggravated in the realm of foreign policy due to two concomitant reasons: that the public at large generally pays little attention to foreign policy, and, most importantly, the weakness of Spanish civil society, which results in think tanks or NGOs which are often too small, too fragment and not independent enough as to effectively be able to control government actions (Ayuso and Cascante 2009).

The Values Dimension

The third and last dimension on which this democratic audit exercise sets its eyes on is the one related with the coherence between values and principles. This dimension is of course essential for a democracy, for it would be paradoxical that, as a general rule, a democracy would hold a different set of values when it addresses policies to its citizens and when it deals with other polities. Of course, one should not be naïve here and ignore that “ethical foreign policy”¹² is more an aspiration than a ready-to-download set of policies, but precisely because of the tensions between the normative pull (which makes ethical foreign policy the only possible goal) and the practical push (which makes it rather difficult to attain in practice), the need for coordination and coherence becomes quite evident. This is why one can speak of this dimension as the area in which, when it comes to Spain, the lack of coordination and overall strategic planning has had a major (and negative) impact thus leaving the observers with the puzzle of a sheer contradiction between domestic and foreign practices. Why so?

To the inside, Zapatero’s governments have quite heavily focused on the extension of rights. This extension has been quite consistent, especially in the realm of highly charged ethical issues related with sexual orientation (same sex marriage) or the right to abortion (which has been fully liberalized). But it has also been quite visible in social and economic realms by the government’s adoption of progressive legislation dealing with gender issues, whether in the more public dimensions of balance and non-discrimination at work or the more private dimensions of gender-based violence. Beyond that, the Socialist government has approved a whole battery of measures aimed at extending welfare rights and to integrate immigrant populations.

To the outside, however, the government has very seldom tried to explore ways of consistently exporting its human rights agenda. The National Action Plan for Human rights, approved in December 2008,¹³ made a clear distinction between rights to be exercised in the national sphere and rights to be promoted abroad. Crucially, this distinction largely neglected political and civil rights and mostly concentrated in less controversial rights (though still important)

¹²“The speech by Robin Cook that started it all”, *The Guardian*, 12 May 1997.

¹³ The Government of Spain, Plan for Human Rights. December 2008. URL: <http://www.mpr.es/Documentos/plandhh.htm>.

like equality, water etc. As a consequence, the government has not been active abroad in defending same sex marriages and abortion rights it grants at home. This has been particularly visible in Latin America, where Spanish development cooperation has seldom imposed conditionality on countries whose practices related to sexual and reproductive health openly contradicted Spanish preferences and policies. Nicaragua is probably the best example of this policy, since the very punitive abortion laws passed by the Government of Daniel Ortega have not been protested or resulted in any sort of political action by Spain, which is one of the main international donors.¹⁴

A related topic which shows how little effort Spain has devoted to the ethical dimension of foreign policy relates to political asylum. Despite being one of the countries in the world with the fastest increase in immigration throughout the next decade, applications for political asylum have been deterred by a very restrictive framework. In doing this, Spain has refused to become the shelter or safe haven for activists from third countries.¹⁵

This problem sinks its roots in the strategic framework governing Spanish development cooperation (2009-2014). In the so-called *Plan Director*¹⁶, democracy and human rights issues are not central, but rather hidden under the more politically correct label of “promoting good governance” and “institutional strengthening”. This emphasis can in fact be very problematic as one can possibly argue that strengthening the institutional capacity of authoritarian states may not be the best and most direct way to promote political change. Rather, as the Tunisian case has recently showed, it should be the strengthening of civil society which should be the focus, not government capacity. Allegedly, attempts to link directly with civil society represent an insurmountable challenge because target governments are usually unhappy with these practices. But it is a legitimate question to ask, especially if and when there is a well-founded suspicion that official development assistance is not neutral, but that in fact it may be contributing to the stability of the regimes it should want to change.

To the neglect of democracy promotion in Spanish development cooperation, one has to add the very low profile which this topic merits at the Foreign Ministry. This is difficult to understand because Spain has very intense (and tense) relationships with three former colonies which are not democracies (Cuba, Morocco and Equatorial Guinea). Surprisingly enough, the Foreign Ministry

¹⁴ See: Amnesty International. Informe de Política Exterior y Derechos Humanos del Gobierno español 2006-2007. “¿Hasta dónde llega el compromiso con los derechos humanos en el exterior?” November 2007; also the chapter “Spain” in FRIDE, “Survey of European Democracy Promotion Policies 2000-2006, Richard Youngs (ed) <http://www.fride.org/EuropeanDemocracy2000-06>, pp. 159-182.

¹⁵ INFORME CEAR 2007 - CEAR denuncia la crisis del Derecho de Asilo en España.

¹⁶ See: Plan Director de la Cooperación Española 2009-2012. Confirmed by the Council of Ministers on the 13th of February 2009, Sección 8.3.1 “Gobernabilidad democrática”. Pp. 108. Plan Anual de Cooperación Internacional (PACI 2010), confirmed by the Council of Ministers on the 12th of February 2010.

lacks any specific reporting structure of procedure to assess and deal with the human rights situation in the countries where Spain has embassies. Therefore, the promotion of democracy and human rights are not central in Spain's foreign policy, neither strategically or procedurally. True, there is a small unit at the Foreign Ministry taking care of human rights, but the unit deals more with international treaty-making negotiations than as a companion of country strategies. The result is that there is no integration with the overall policy-planning process and more importantly, no strategy or thematic unit whatsoever dealing with democratization (Zulueta 2008).

The fact that Spain, despite having had an authoritarian past, consistently refuses to incorporate criteria of democratic conditionality into its foreign policy, especially to development cooperation, is without doubt rather paradoxical. Even more so taking into account that Spain had itself benefited from a set of democracy promotion policies put in place by other European democracies (Pinto-Duschinsky 1991 & Powell 1994). In fact, some observers would argue, this can only be explained as an overreaction to the rather aggressive policies followed by the US government under the George W. Bush administration. The challenge is not difficult to understand: the promotion of democracy and human rights has become quite a challenge for contemporary democracies. Over the last decade, this agenda has suffered heavily. This is both due to the double standards and hypocrisy which have dominated its management from the Western side as well as the combination of the rise of new emerging powers whose values and principles do not necessarily coincide with the dominant ones in Europe and the financial crisis, which has forced European countries to use a lower voice or even think twice before pointing fingers at regimes whose resources (be it financial or energy related) they crucially need.

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Spain-U.S. Relations in Light of Spanish Affiliation to the EEC and NATO

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Abstract

I have written several articles and made presentations in English using primary source documents from the US, Spain and the UK. Given this background, I would like to contribute to the historical side of this transatlantic relationship.

This paper analyses the interrelationship of the Spanish affiliation to the EC under the PSOE (the Spanish Socialist Workers' Party) and its membership of NATO from the American (Republican governments) point of view, considering the historical background of the US-Spanish political relationship. Concretely speaking, in relation to NATO, we are trying to argue what kind of influence/pressure the US had to use to persuade EC countries to acquiesce to Spanish entry into the EC, and why the US promoted this affiliation, even though it was not in its economic interest to do so.

I. Introduction

When we analyze the U.S.- Spanish relationship, as Roy argues¹, we should trace it to “the substrate” of the disaster of 1898 and the 1953 Executive Agreements of Mutual Defense, Economic Assistance and Base Agreement (1986, 173). Due to the Franco regime’s affiliation with the Axis powers during World War II, Spain was isolated internationally through a U.N. Resolution after the war, which led to the non-application of the Marshall Plan. However, the importance of Spain was increased during the Cold War. The Straits of Gibraltar were being used as the major transportation route for petroleum, and in 1953 the U.S. signed Executive Agreements with Spain while the U.K. and France were still firmly opposed to

¹ This article analyzes the Spanish presence in the U.S. and vice versa.

Spain joining NATO. These Executive Agreements were different from the North Atlantic Treaty in the sense that they were unilateral ones without any defense obligation being imposed on the U.S with regard to Spain and also indicated a subordinate relationship with the U.S. Although the bases were recognized to be joint Spanish-U.S. bases remaining under Spanish sovereignty, the U.S. enjoyed complete freedom to activate them in the case of Communist aggression, emergency or a threat to Western security, while for other reasons, such as the Middle Eastern conflicts, the U.S. theoretically needed to consult with the Spanish government. Gradually the over flight rights to the Middle East also gained importance.

In the Sixties Spain was firmly set in the international economic system and experienced rapid economic growth, due to American economic assistance and entrance into the IMF, the OEEC, and other organizations. Nevertheless, its application to join the EEC in 1962 was rejected because of its authoritarian government. The Franco regime could not construct a “normal relationship” with European countries and therefore had to continue its economic and military dependence on the U.S. In 1966, however, after B-52 planes accidentally dropped hydrogen bombs near Palomares, a small village in Almería, Spain’s Foreign Ministry under Fernando María Casiella decided to negotiate harder to conclude the renewal of the Agreements with the U.S. on an equal footing. In consequence, Spain requested U.S. support for its affiliation to the EEC, the NATO and also the Gibraltar issue as compensation for the base use and the over flight rights (Pardo 2007, 354-355). In other words, the U.S. had introduced nuclear weapons and was flying over Spanish territory with them.

During the Franco regime, there existed a censorship which limited the free expression of Spaniards. Also, they had no control over diplomacy through the democratic system. Finally, under the Constitution in 1978 the Parliament gained control of government’s foreign policy through the authorization of treaties, debates and its commissions; Pereira argues, however, that the final stage of the democratization process of Spanish diplomacy was in 1986 when the major pending issues of the country’s foreign policy were resolved, such as access into the EEC, the NATO referendum, the universalization of international relationships, the recognition of Israel and the visit of the King to the U.K. (Pereira 2008, 1002).

Since its inclusion, Spain had received more subsidies from the EEC than its payment to the budget, mostly through the Structural and Cohesion funds. However, the EU has gradually shifted its focus following enlargement in Eastern Europe. After the EU expanded again in 1995, member states’ interest began to focus on Eastern Europe, and the Popular Party’s (PP) government under Prime Minister Aznar (1996-2004) felt that Spain’s security interests would be tended to more effectively by the U.S. than by Europe (Arenal 2008). The PP intended to ensure the presence of Spain among the great powers and to maintain a defensive attitude against enlargement by the addition of 10 new members; here Aznar

became more Euro-skeptic than Europeanist (Pereira 2008, 1023). This had already been pointed out by American Ambassador Horacio Rivero in 1974: “The Spanish were inclined to give even greater importance to their relationship with the U.S. as a fundamental foreign policy reference point as the European option comes into question” (AAD 29.03.1974). In this way, when we examine Spanish foreign policy, it must be studied both from the Atlantic and the European side, as well as from both the political and the economic aspect. Studies of Spanish relations with the EEC and also the Spanish political and military relationship with the U.S. have advanced (Marquina 1986; Viñas 2003; Chislett 2005); however, studies of the U.S.-Spanish relationship pertaining to the entrance into the EEC around 1986 have yet to be developed.

This study shows how the U.S., who was initially inactive regarding Spain’s entrance into the EEC, became involved. Torreblanca argues that through its entrance into the EEC, Spain united her foreign policy with that of the EEC and multi-lateralized a relationship which would have otherwise become problematic, such as the bilateral conflict with Morocco, or rhetorical like the relationship with Latin America. In short, they are “the convergence of policies” and “the transference of problems” (2001, 484). Then we examine if Spain tried to apply these to the bilateral relationship with the U.S. and if it utilized military advantages to gain U.S. support for its entrance into the EEC or vice versa, if the U.S. forced Spain to stay in NATO. We make use of American side documents, especially less-used primary documents from the Reagan Library, while the Spanish documents are still classified. Hereafter, we will study the background of the bilateral relationship from the seventies up to the entrance into NATO in II; then in III, we study the U.S.-Spanish relationship under the PSOE (Spanish Socialist Workers’ Party) government in 1982-83; in IV, the “protagonismo” of Felipe González in 1984-85; in V, the linkage seen from the political side; in VI, linkage seen from the economic side, and in VII, González vs. the U.S. in 1985-86 and how he negotiated more determinedly against the U.S.

II. The U.S.-Spanish Bilateral Relationship from the Franco Era in the Seventies to Spain’s Entrance into NATO

In 1970, Spain was able to sign the Preferential Trade Agreement with the EEC for mutual tariff reductions. The U.S. government was “sympathetic with Spain’s objective of full integration into the European Community”, although it was concerned about these preferential trade agreements because “they create problems of consistency with GATT and discrimination against the U.S.” (NPMP 02-03.10.1970). In January 1976, shortly after the death of Franco, the U.S. signed the Treaty of Cooperation and Friendship with Spain, instead of the mere renewal of the existing executive agreement, to show its support for the democratization process of the new King, Juan Carlos I. However, during the Yom Kippur war in 1973, Spain had opposed the use of “common” bases for pro-Israel operations.

Worrying about further denial of use of these bases on similar occasions in the future, the U.S. started to consider putting Spain into a multilateral security framework (NATO) and moving away from the bilateral one (the U.S.-Spanish Treaty). The Union of the Democratic Center (UCD) governments placed more emphasis on domestic than on foreign policy because of their own democratic transition period. While Prime Minister Adolfo Suárez developed a pro-Latin American and pro-nonalignment policy, Foreign Minister Marcelino Oreja cherished a pro-European policy, and Spain once again applied for EEC membership in 1977. European countries were better informed than the U.S. about the Franco era through Spanish immigrants, tourism, contacts with illegal labor movements and opposition to the regime.

The EEC member countries had a negative opinion of the link between membership of NATO and the EEC for Spain, or felt that it was impossible to combine the two. For example, in 1977, the U.K. found a clear Spanish intent of this link. In July 1977, Spanish Foreign Minister Oreja said that the Spanish government could have “some link” between membership of NATO and the EEC because if Spain still had difficulty in its accession to the EEC, “public opinion might swing against NATO”; that is, while Spain was being excluded from economic partnership, it nevertheless had to contribute to European defense so that this state of affairs could prove not to be tolerable for Spaniards (TNA14.06.1979). As the U.K. preferred not to link the two, the Foreign and Commonwealth Secretary made it clear to Spanish Prime Minister Suárez that the entry into NATO and entry into the EEC were “a totally different issue” (TNA15.09.1977), but Spain at the time tried to link them, in spite of European opposition. The U.S. insisted that “the inclusion of Spain in NATO would improve the security of the entire alliance” and “preserve democracy in Spain”. Both the U.S. Secretary of State Alexander Haig and West German Ex-Chancellor SPD Chairman Willy Brandt agreed that it would be better to “complete EEC entry before moving on to NATO entry”; however, the Italians and the French “would slow down the EEC process” and the link of the two steps would be impossible (FOIA09.10.1981). Finally, after the coup of 23-F in 1981, Spain became the 16th NATO member country in May 1982 but did not join the integrated military structure.

III. The U.S.-Spanish Relationship under the PSOE Government in 1982-83

While European Leftist parties maintained contacts with the illegal PSOE and the Spanish Communist Party (PCE) during the Franco period, the U.S. government priority was to maintain use to their bases in Spain and over-flight rights, and showed little interest in the democratization process of Spain. However, after Ambassador Wells Stabler took up his post in Spain in 1975, they changed their stance and started to make approaches to the opposition, especially to the PSOE,

on the advice of the British Ambassador. At first, the U.S. worried about the difficulties involved in renewing the bilateral treaty due to the opposition of Spanish leftists, but gradually perceived that they were also “more nuanced, more flexible and more realist” than they had thought (Morán 1980, 90). The PSOE opposition party under Secretary General Felipe González had promised to hold a referendum related to NATO membership, and won the general election in October 1982. After that, the PSOE started to display a vague attitude toward NATO; it was denominated as “calculated ambiguity (*ambigüedad calculada*)” (Yáñez-Barnuevo 1992, 97). González, who took a leadership stance in the pacification of Central America and opposed President Reagan’s policy, realized that confrontation with the U.S. should be avoided and that cooperation as a member of Europe with the U.S. be “not only necessary but also desirable” (Mujal-León 1989, 28-29). He made clear his vision of “the Spanish Europeanist vocation” at his investiture on November 30, 1982 and “the Socialists started to link the integration of Spain in the European Community with their permanence in NATO” (Pereira 2008, 1013). Spanish accession to the EEC was the most important issue because it meant for González “the termination of a process of overcoming of our secular isolation and the participation in a common destination with the rest of the Western European countries” (Prego 2000, 238). Therefore, he tried to make his posture in foreign policy independent of that of the U.S.

In an interview with Professor Folguera, chief negotiator for Spanish admission to the EEC and former Vice-President of the European Commission Manuel Marín stated that the files of the Common Market and that of NATO were “never on the same negotiation desk”, but were nevertheless linked by Spain “in an implicit way”, especially after the Euro missile crisis in 1983 when the relationship between the U.S. and Europe was being tested (1998, 4)². In sum, once West German Chancellor Helmut Kohl gained the support of González about the Euro missiles³, he started to support González in his quest for EEC entrance and to hope for a successful conclusion to his referendum on NATO, although some cabinet members, such as Vice-Prime Minister Alfonso Guerra and Minister of Education Javier Solana, opposed permanence. On the other hand, the U.S. tried to utilize another channel to “encourage a favorable resolution of Spain’s NATO status” through King Juan Carlos I, who exerted “a moderating influence on the government’s policies” (RRL 27.07.1983)⁴. To stabilize Spain’s democracy and

² On the other hand, according to Soto, Marín affirmed the linkage of the negotiations with the EEC with the theme of joining NATO, adding that there “existed American pressure for Spain to join the EEC”, because for the U.S., this would fortify Spain’s presence at NATO (2005, 248-49).

³ González stated that “a privileged relationship” with Kohl started to function from 1983 (Cebrián 2001, 143).

⁴ During the Transition period, since 1975, Juan Carlos sent a special emissary to the U.S. and had meetings with Kissinger and the President of the AFL-CIO, George Meany (Hosoda 2010). In 1983, King Juan Carlos requested “the agreement of the U.S. government to the accreditation” of a new Spanish ambassador to the U.S. (RRL 24.01.1983). He met with Reagan in New York in September 1986. This meeting was offered by the Spanish side in July and the U.S. had to decline it

help create a positive Spanish decision on NATO, the U.S. accentuated its support for “Spanish accession at the earliest possible date” to the EEC, although the U.S. would not try to “inject itself into EEC internal affairs” (RRL17.06.1983). The U.S. was also concerned by the “negative impact” on Spanish full participation in NATO caused by the delay in the accession to the EEC (RRL17.06.1983). Both sides tried to link the EEC and the NATO issues, but in an ambiguous manner.

IV. The “Protagonismo” of González in 1984-85

Spain outside of the EEC was economically underdeveloped as well as unstable. The PSOE intended to join the EEC to resolve its complex *vis-à-vis* Europe and to obtain subsidies for development. At that time, only Ireland was not a member state of NATO among the 10 EEC member countries. In 1984, González communicated to the European heads of State and Government that the slow pace of the negotiations could make Spain not just imply, but actually establish “an unequivocal link between the EEC and NATO applications” (Yáñez-Barnuevo 1992, 101). As Powell argued, “the lack of popular support for continued membership of NATO was the Spanish government’s strongest card in its EEC accession negotiations” (2003, 150). The State Department thought that Foreign Minister Fernando Morán, “who has been personally opposed to Spanish membership in NATO”, has begun to argue its permanence; therefore, the visit of Secretary of State Shultz would be an opportunity to develop his thinking (FOIA07.01.1984). In October, at the Cortes, González stated “the Decalogue” for peace and security policy for Spain, which included non-participation in NATO’s integrated military structure, the ban in introducing nuclear weapons and the gradual reduction of American troops in Spain. At the opening of the PSOE congress in December, González “called for acceptance of NATO membership and the abandonment of the statist economic approach”, and the report on the government’s performance was approved by 95 percent (CIA-FOIA15.12.1984).

In sum, González tried to persuade his party and took a rather “conservative” policy stance. González wanted to reduce the American troops’ presence in Spain, as he had stated in the Decalogue. He started these negotiations with the U.S. during the time between Spain and Portugal’s signing of the treaty of their accession to the EEC in June 1985 and the referendum on NATO in March 1986 (Prego 2000, 248). The journalist Cebrián told González that there existed a theory that the Spaniards were required to stay in NATO in order to gain admit-

once because of the President’s tight schedule but the Spaniards continued to push (RRL16.09.1986). It is not strange that they would have talked of hot issues like those of NATO and EEC membership.

tance into the EEC, but González denied it, explaining the chronological order of the issues and saying that the Americans were anxious about the possible failure of the referendum, and this was done on his personal decision (2001, 139). Furthermore, according to Prego, González said “no European leader has even insinuated to me that a link might exist between the EEC and NATO memberships” (2000, 244). González’s statements were quite vague, and here we would like to clarify; it was the Spanish party, or González, and not the U.S. or the Europeans who wanted to link the permanence at NATO and the admittance into the EEC. Gonzalez required the U.S. to understand that support for Spain’s admittance into the EEC was a condition of its permanence at NATO, and also of successful bilateral negotiations concerning the bases in Spain. Hereafter, we see the details of this linkage.

V. The Linkage Seen from the Political Side

In March 1985, the U.S. obtained the information that, while Portuguese membership was “virtually complete”, Spain’s membership remained problematic due to disagreements on positions regarding fishing rights, agriculture and social affairs. Therefore, the U.S. foresaw the possibility of the delay of Spanish accession until 1987. One year’s delay would create another budget crisis for the EEC, causing the Spanish government difficulty in gaining public support for NATO. By taking advantage of this situation, Spain “has linked EEC membership to its continuing support for NATO” by applying unstated coercion to the member countries of the EEC in its implication that “a delay in EEC entry could have a negative impact on Spain’s commitment to NATO”. Concretely, Spanish officials had told US diplomats that an accession agreement could ensure Spanish public support for NATO in a referendum (CIA-FOIA 15.03.1985)⁵. Namely, Spain used public opinion to pressure the United States. Finally, Spain signed the Act of Accession to the EEC in June 1985. According to Foreign Minister Morán, at that moment there was no pressure for permanence at NATO or for Spanish participation in its integrated military structure as a condition for EEC membership (1990, 311).

Morán was a diplomat and had opposed permanence at NATO and disagreed with González, who announced a cabinet change the very next day (Morán 1990: 248-257; 480). There had been negative campaigns conducted and Fernando Ordóñez, an economist who had studied the “International Tax Program” at Harvard Law School in the Sixties, was nominated as his successor. He wanted Spain to have a leadership role in the process of the European construction. It is possible that his experience in the U.S. influenced González, who came to

⁵ Later, in 1988 Spain also utilized public opinion to “exaggerate public pressure for a referendum on the U.S. military presence in Spain to try to get concessions in the ongoing talks on U.S. bases” (CIA-FOIA 14.05.1988).

understand the importance of “occidentalization of Foreign Policy” and of the merits of permanence at NATO (Delgado2007, 96, 294-95, 302). However, Ordóñez, rather Atlantist, was the former Minister of Finance and of Justice, and not from the Ministry of Foreign Affairs. Meanwhile, the International Department was created inside the Presidency. Its director, Juan Antonio Yáñez-Barnuevo, was a diplomat who assisted international conferences like those of the EEC and NATO. In other words, González now tried to execute foreign policy from the Presidency.

VI. The Linkage Seen from the Economic Side

According to the U.S. Information Agency’s survey in November 1985, the Spanish “tend to think that the economic policies and actions of the European Community have been more helpful than harmful to Spain, but that U.S. policies have been more harmful than helpful” (RRL 23.01.1986). In reality, for the Spanish economy in the Eighties, apart from that with the EEC, the relationship with the U.S. as its commercial partner was its most important one. “Spanish industrial ambitions in the EEC depended on American investment, such as Ford, IBM and General Motors.” (Gillespie 1988: 436-437).

As for economic issues within the bilateral relationship, the U.S. saw that Spain was “concerned about its trade imbalance with the U.S., especially in the military area” (RRL November 1986). Therefore, González offered a credit to the U.S. with the same condition for purchase of military materials, such as planes produced by the Spanish company CASA (Prego 2000, 250). The U.S. concluded that Spanish EEC accession would be “ultimately positive, but negative in the short term”, and Spain seemed to think that “capital investment is the ideal long-term solution to its economic problems” (RRL05.11.1986). In fact, “since the Spanish accession to the EEC in January 1986, overall U.S. exports to Spain have decreased by 13 percent” due to a strong dollar, the peseta devaluation and the increase of Spanish trade with EEC partners (RRL November 1986). In the long run, EEC membership required policy and institutional reforms like monetary and exchange rate stratagems, which would lead to structural reforms for “macroeconomic stability and the strengthening of competitiveness of the productive sector” and to give an incentive to non-EEC investors including the U.S. (Royo 2005, 66-67).

In sum, the U.S. thought that Spanish accession “has removed many trade issues from the bilateral relationship” (RRL November 1986). Trade is an example of some of the issues that were pending for both countries and that were necessary to resolve in order to create a better military relationship. On the other hand, for the Spanish, entrance into the EEC would alter the dependence on American investment, which would be conducive towards a more independent foreign policy.

VII. González vs. the U.S. in 1985-86

For the U.S., Spanish withdrawal from NATO would constitute a considerable adversity to American interests which would cause damage “not only to the bilateral relationship but also to the prestige and the credibility of NATO itself” (Powell 2001, 362). To maintain access and operating rights in Spain and seeking expanded rights, particularly in out-of-area operations, was significant to the United States (RRL 04.04.1986; RRL 24.10.1986). For the U.S., a good bilateral relationship was indispensable for the bilateral treaty that involved bases, namely base rights, and in the Eighties, for the development of its troops outside of NATO territory. The negotiation of the Agreement on Friendship, Defense and Cooperation, including the reduction of American troops, was accorded in December 1985 to start from the first quota of 1986; however, the negotiations did not have a clear direction until July 26, after the referendum (Delgado 2007, 321). Since the Franco era, the U.S. had seen Spain’s strategic position as its connection point toward the Middle East; meanwhile, Spain intended to negotiate using this as a bargaining piece.

González considered that the EEC countries would ultimately develop closer cooperation in security areas, reinforcing collective security even within the Atlantic alliance. Furthermore, he was confident that the Spanish would acquiesce to remaining in NATO because as a member of the EEC, NATO would “constitute another way in which Spain can, and must, make its contribution to the solidarity of the democratic nations of Europe” (González 1987, 187-188). Surprised by the decision of González to hold the referendum in 1986, the U.S. was always against this and tried in vain to persuade Manuel Fraga⁶, the conservative opposition leader, “to call for a “Yes” vote, or, having failed to achieve this, to minimize the number of his supporters who would vote “No” (RRL 01.03.1986; RRL 12.02.1986; 25.01.1986). After that, the U.S. contacted other allied leaders like West Germany, Italy and the U.K. and tried to persuade González, who was going to denounce the treaty in case of defeat in the referendum (RRL 07.03.1986). Finally, the referendum took place in March 1986 and the government received 52.94% in favor of permanence while 39.85% voted against it. There was a voter turnout of only 59.42%, meaning that 40.58% abstained.

With respect to the U.S.-Spanish relationship, González was concerned about the trade imbalance, supported an increase in technological cooperation and educational and cultural friendship, and stated the need for mutual respect and friendship. Furthermore, as the U.S. policy toward Central America demonstrated, Spain did not always agree with U.S. policy and he hoped to “speak out

⁶ Fraga himself was in favour of entrance into NATO, however the general election was going to be held soon, therefore he had to be against the PSOE (Penella 2009, 478-479).

in the European Community in order to make our opinions known” (González 1987, 187-189). He wanted to have Spain enjoy the same status as the U.S. when it acted in the international arena; for Spain’s voice to be heard, it must be a member of the EEC, based on his fortified position after his referendum victory. In July 1986 at the pre-investiture debate, González stressed “the primacy of Western Europe for Spain’s economic well-being and national security” in its foreign policy. Citing EEC entry and NATO membership, he argued that “Spain’s future was inextricably linked to its European allies,” and spoke little of U.S.-Spanish relations (RRL23.07.1986). American Ambassador to Spain Thomas Enders, who was considered a friend of González, presented his resignation in the summer of 1986; his successor would prove to be a tougher negotiator (Palomares 2005, 338; RRL07.08.1986).

Conclusion

Historically speaking, Spain’s priority in its foreign policy has been toward Europe. Due to international isolation after World War II, Spain was involved in the bipolar system in the Cold War through the American Executive Agreement and had to take a pro-American policy. In the Sixties, some national pride emerged in a stance against the U.S. troops and a demand for the return of Gibraltar under Foreign Minister Castiella; in the Seventies, under Oreja, the Ministry looked for a framework denoting it as an equal status negotiator. In other words, Spain utilized the base agreement to ask for support for EEC entrance. In the Eighties, while the EEC negotiation process was delayed by the opposition of Italy, France and others, the PSOE government and Prime Minister González tried to use the linkage in the base negotiations. For the U.S., Spain was important militarily for its bases en route to the Middle East. There was a risk of Spanish withdrawal from NATO if the EEC accession did not proceed because the Spanish felt that they were obligated to tolerate the military burden while they could not take any economic advantage from NATO. Therefore, it was necessary for the U.S. to suspend the referendum or for it to have a successful outcome.

Spanish accession to the EEC would negatively affect the U.S. in the short term from the economic point of view; in the long run, however, it would have a positive impact. For the U.S., the most important thing would be Spanish permanence at NATO; therefore, accession to the EEC would integrate Spain into Europe and make a withdrawal difficult. Secondly, this accession would resolve the trade surplus to Spain, which would signal less trade with the U.S. For the Bilateral Base Treaty renewal negotiations, the U.S. preferred to have fewer negative conflicts with Spain. For the U.S., the most important point in the bilateral relationship was strategic: to maintain the right to use the bases in Spain for the Middle East, considering possible NATO out-of-area operations.

On the other hand, Spain’s priority in its foreign policy at the time was entrance into the EEC and, as Viñas argues, the U.S.-Spanish relationship would

be rebalanced through adhesion to NATO and the EEC and through Europeanization of its foreign policy (2005, 298). With accession to the EEC, Spain had obtained economic benefit; the subsidies it received surpassed its contribution. In addition, Spain could gain a political voice in the international community as a member of the EEC, an equal status to negotiate with the U.S., which had been its quest since 1898, and an independent foreign policy. González recognized and foresaw the importance of accession to the EEC not only for economic reasons, but also for collective security in the future, which would as a matter of course have to include the U.S.

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Spain's Contribution to a European Vision For the Americas: A Review

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Abstract

In the recent 25-year period of European integration, Spain has consolidated its pro-active role in the selected club of leading member states. Along this time, Spain has also contributed to the development of a European foreign policy *vis a vis* global actors, by shaping in many ways the relations of the EU with the US and the Latin American region (LA).

Traditionally, the Europeans have placed the US at the top of their geopolitical and economic priorities, and *viceversa*. To this respect, Spain has played a pivotal role of “stabilizer” with the US since its incorporation to NATO in 1982, through its participation in numerous US-led missions, from the Balkans to Afghanistan, with the sole exception of the withdrawal of its troops from Irak in 2004. The growing influence of the Hispanic community in the US, coupled by the development of common projects in renewable energies or infrastructures, is giving a new impetus to the bilateral ties. Despite these achievements, however, Spain has not had a major role in building *a single* EU voice *vis a vis* the US.

On the other hand, as a consequence of the accession of Spain to the European Communities in 1986, an engineering of an EU-LA relation took place, with Spain leading the process. During the last two decades of the 20's century, as the Spanish largest companies massively invested on the LA region, the Spanish governments gave shape to the *Ibero-american community*; kept the European focus on the region alive, by pushing forward the *bi-regional Strategic Association Agreements*: acted as mediators in regional conflicts; and were also able to set up the main criteria for the EU position on issues like Cuba, Venezuela, or the MERCOSUR.

At present, the emergence of Brasil as a regional leader is changing the strategic scenario and will have deep implications for both Spain and the EU, as well as for the US. Current economic, social and demographic trends suggest that the Europeans should reinforce the bi-regional ties with LA emerging markets, as G-

20 economies like Brasil, Mexico and Argentina keep growing at a faster rate than the European's.

Looking towards the future, Spain could help to reset the EU approach to the LA region by changing the ways of managing development assistance, trade, and financial flows and, overall, by launching a new political, strategic dialogue with the region. The EU as a whole – and not only countries like Spain or Portugal - would benefit enormously from massive investment in LA infrastructure and innovation networks. And last but not least, the EU needs to coordinate policies in all these areas *vis a vis* the United States.

Introduction: Spain's Re-discovery of the Americas

In the recent 25-year period in the development of European integration, from the European Communities to the European Union, Spain has pursued a pro-active role in the relatively select club of leading member states. Throughout this time, Spain also contributed to the development of a European foreign policy with regard to other international actors, shaping in many ways the relations of the EU with the Latin American region (LA). Spain retains a special identification with Latin America through the concept of the “Latin” or the “Hispanic”: a mixture of linguistic, religious, ethnic, cultural, and historical ties binding Spanish-speaking America to Spain. The Hispanic heritage has also been used as a bridge for deepening the relations with the US.

In the eyes of its LA partners, Spain has been an effective example of transition from authoritarianism to democracy, as shown by the many trips that Spain's King and Prime Ministers have made to the region. Throughout this time, Spain has developed economic and technical cooperation programs and cultural exchanges with Latin America, both bilaterally and within the EU – to the point of largely imposing the Spanish point of view on LA issues like Cuba–while it has achieved a more balanced bilateral relationship with the US, not least due to the cover offered by the European umbrella.

My purpose here is to explain the way in which Spain's approach to LA has been positive in shaping both Spanish and European foreign policy vision for the LA region. Yet relations with the US regarding LA issues have followed different, if not diverging, paths. Due to this and other factors, such as the multiple historical dividing lines at the core of the continent – between North and South and between neighbors –, or, more recently, the changes associated with the emergence of BRICs like Brazil, those integrating efforts have fallen short, partly because of the absence of a more comprehensive economic and political policy with regard to the US for the whole of the Americas.

This paper also conducts a brief review of these gaps and argues that for Spain to keep its leverage on future LA political and economic processes, as well as on its EU position, the relations with both LA and the US need to be mutually

reinforced through a new, long-term strategy. That strategy would go beyond the “Ibero-American” and the “Euro-Latin American” vision, by emphasizing broad Euro-American synergies on common interests, where the best of the western political tradition would serve as a sound network to deal with the challenges posed by globalization.

Spain, Europe, and ‘the Two Americas’

Traditionally, in theory and in practice, there have always been “two Americas” from both Spain’s and Europe’s perspectives: the Anglo-Saxon North America and Spanish-speaking Latin America. After General Franco’s death in 1975 and the inception of the Spanish democracy, these two approaches remained unconnected until very recently, despite the deeply positive changes that the LA region has experienced.

Before the end of the eighties, Europe did not begin to emerge as a more unified international actor, nor did the so often domestically ravaged LA countries abandon a rigid “national” paradigm. It was the conjuncture of these two factors that allowed Spain to “invent” Latin America as a political and economic regional partner after its incorporation into the European Communities. From that perspective, insofar as it at least made the current bi-regional approach possible, Latin America is, in a certain sense, a “Spanish invention”, (Arenal, Celestino 2006, 2008; Palacio, 2010b). Two main visions or periods of the role that Spain has played over the last three decades can be distinguished.

First Vision: The Ibero-American Community

A first stage was the shaping of the Ibero-American vision, according to which Spain and Portugal led relations and acted as a bridge in a relatively isolated and impoverished LA. As a result of Spain’s entry into the European Communities in 1986, a forging of a relationship with LA took place, with Spain leading the process. From that date until 1993, with the signing of the Treaty of Maastricht that gave rise to the political union of the EU, Spain took full advantage of the opportunities that membership of the European club offered. The success of the Spanish governments in the European arena facilitated the shaping, together with Portugal, of the Ibero-American community, keeping alive the focus of countries like France, Germany, Italy, the UK or Sweden on the region.

The Ibero-American initiative had its origin in a visit by the King and Queen of Spain to Mexico in January 1990. The proposal by the then president, Carlos Salinas de Gortari, to institutionalize an annual meeting of the entire Ibero-American family meant for Madrid unifying and multiplying its relations with the countries of Central America and the Southern Cone, which were emerging from civil wars and military dictatorships. The summit of Guadalajara in 1991 was followed by a summit in Madrid the following year. The long and

impressive run of Ibero-American summits held to date – they reached 20 in 2010 – is due to the interest of the Spanish crown and a democratic Portugal in bringing their own heritage to the European club following their entry in 1986 (Powell, 1993). That allowed Spain to open the way to Latin American governments that were returning to democracy, in a process of mutual rediscovery.

Flags and companies went at the same time, although without a political “grand design” or coordination. During the last two decades of the 20th century, Spain's largest companies invested massively in the LA region. Very early in the nineties, the “new conquistadors” - Spain's largest companies such as Telefonica or Repsol, or Banks like BBVA or Santander - took positions in strategic sectors of LA economies – in Brazil, Argentina, Chile, Mexico or Venezuela. Spanish economic development and the enormous profits of the multinationals on Latin American soil contrasted, however, with the “lost decade” on the continent due to macroeconomic chaos and in spite of the development aid allocated to the region.

The summits were conceived as a forum of political coordination to promote the cooperation and solidarity of 22 countries and in spite of the growing extension of the issues on the agenda to technology, health or migrations, inevitably they have given priority to the inherited identity factor of a common history: the vast community of Spanish and Portuguese language and culture¹. Some outstanding results have been obtained: dozens of political statements, debates and programs under way in education, immigration, technologies or for young people. There is no doubt that the Ibero-American community has produced results.

The increasing overlapping of the Iberian Peninsula with the ups and downs of the process of construction and enlargement of Europe has had a lot to do with this process. Also, at the end of the 1990s, events took place which changed the scene considerably: the establishment of populism in the Andean countries, the unstoppable rise of Brazil or the new economic relations of the countries of the region with China. The mediating, pacifying and democratizing role, in short, the factor of social and economic progress represented by the Spanish, and to a lesser extent, the Portuguese presence for the countries of Latin American has entered into decline since the middle of this decade (Del Arenal, 2009).

Today, there is an element which exerts great pressure for change: a regionalization which did not exist in 1991 but which now occupies the energies of governments. UNASUR is a particularly pertinent example, with Brazil at the head. There is the seed of an unstoppable south-south alliance and in Cancun in February a community of Latin American and Caribbean states was put forward. In addition, China has just joined the Inter-American Development Bank (IDB)

¹One must take into account, however, the wide range of terms of identity in contrast to Ibero-American, often competing with one another: Hispanism, Latin Americanism, Pan-Americanism, or Americanism.

as a provider of funds, which will bring political consequences. Countries such as Ecuador, Guatemala or Bolivia certainly require bilateral development aid and the Ibero-American framework can keep them relatively satisfied. However, this Ibero-American framework is no longer enough for most. Brazil, which plays on a global stage with the BRICs; Argentina, Chile or Mexico, with ties to China, North America or Africa, need Ibero-America to serve as a lever to scale positions, connect to other forums and create very visible synergies: a driving force of political agenda (Palacio, 2010b).

Second Vision: The Euro-Latin American

As Spain grew richer and became more integrated into Europe, a second, more ambitious and far more sophisticated vision developed through the second half of the nineties. The Euro-Latin-American vision belongs to this (Sanahuja, 2006). This period had its landmark in 1994, when a plethora of overlapping integration projects was launched: FTAA, NAFTA, MERCOSUR, and its first contacts with Spain. In this new period, Spain pushed forward the bi-regional Association Agreements as we know them to date; offered to mediate in regional conflicts; and was also able to establish the main criteria for the EU position on issues like Cuba, Venezuela, or MERCOSUR. In this respect, six bi-regional, bi-annual Summits held in one decade, from Rio de Janeiro (1999) to Madrid (2010) should not be ignored. Spain has used its prestige in LA as a letter of introduction for its European partners. It has been a two-way process: Spain's European membership has revamped its old image in relation to the Latin Americans.

Spanish mediation and pressure on other governments has been key in the evolution of LA politics since 1994 and notably after the first bi-regional Summit in Rio in 1999, where an ambitious goal of a Bi-regional Strategic Partnership was presented. Spanish government and Spaniards at the European institutions (COREPER, European Parliament and Committees) played a prominent role in boosting initiatives and bargaining processes. The Spaniards were often more sensitive to LA demands on balanced trade, or the intrinsic particularities of the democratization processes in the Andean Community of Nations (CAN) and Central America (Salafranca, 2003).

Yet, despite the Spanish impetus, relations between the EU and Latin America have entered a worrying stalemate since the second half of the 1990s (Del Arenal, 2010). Paradoxically, as the respective EU and LA integrations were consolidated, no significant progress on bi-regional trade bargaining was achieved. This is the case of negotiations between the EU and MERCOSUR to reach an Association Agreement, which were deadlocked until the Madrid Summit of 2010. In contrast, further bilateral Association Agreements have followed, e.g. with Mexico in 2000 and Chile in 2002, and Strategic Partnerships with Brazil in 2007 and Mexico in 2008. This model for bi-regional relations was valid in the 1990s but has weakened since the beginning of the 21st century as a result of

the profound transformations seen on the global, European and Latin American stages. It is unclear whether the bi-regional strategy, based on an asymmetrical scheme, will satisfy European and Latin American realities and interests in the future (Freres & Sanahuja, 2006, p. 26-29). That has become even more unclear since 2009, when the financial and economic crisis hit Europe much harder than the Latin American region. The financial crisis and the new challenges posed to bi-regional relations by the emerging role of Brazil or China are factors that will shape the immediate future of the Summit achievements.

In short, these two patterns of relationship - Ibero-American and Euro-Latin American - need to be revisited. In this context, the re-emergence of a new Spanish leadership seems necessary. Current challenges include greater monitoring of the agreements signed; simplifying their final political declaration; creating more synergies with sub-regional organizations – UNASUR and the Rio Group – and with bodies such as the United Nations, the IDB or the ECLA; or connecting the EU-Latin American and Caribbean summits to the Ibero-American summits.

Spain, the U.S., and the Hemispheric Integration

Traditionally, the Europeans have placed the US at the top of their geopolitical and economic priorities, and vice versa. In this respect, Spain has played a pivotal role as “stabilizer” of transatlantic relations since its incorporation into NATO in 1982, through its participation in numerous US-led missions, from the Balkans to Afghanistan, with the sole exception of the withdrawal of its troops from Iraq in 2004.

Yet Spain has not had a major role in building a single EU voice with regard to the US on the so-called “hemispheric” issues. This is partly due to the existence among the Spanish political elites of a sense of historical dependence on Washington since the times of the Defense agreement of 1953 between Eisenhower and the General Franco (Viñas, 2003). This dependence persisted, in spite of the review of the bilateral agreement in 1998 following arduous negotiations which progressively reduced the US presence on Spanish soil and rebalanced the bilateral relationship (Cajal, 2010, chapters 7 and 8).

Spanish governments subsequently forged a more positive relationship with the USA. Thus, during its second rotating presidency of the EU, Spain promoted the EU-USA relationship, attaining its greatest success to date in this field: the signing in Madrid in December 1995 of an ambitious Transatlantic Agenda which took in issues of democratization, the deregulation of markets, security or bridges with civil society. The process was led by President Bill Clinton, the President of the European Commission, Jacques Santer, and the Spanish Prime Minister Felipe Gonzalez. It could be said that this is another “Spanish invention”, this time in relation to North America.

Both the shadow of the past and the realities of the US superpower have not prevented Spain from developing ties with the Latin American and Caribbean region (LAC). However, these factors did make the emergence of a unified, strategic Spanish and European vision for the "two Americas" more difficult. In this respect, it must be recalled that during the 1980s there had already been a clash with the US Administration, which considered the conflicts in the region from a Cold War perspective (East-West), while Europe - with Spain at the head - saw them as a product of underdevelopment (North-South).

A review of a few examples would show that a common, strategic view linking all of these actors has been absent in the past. That is the case of clashes involving alternately Spain, the EU, the US and certain Latin American countries. Four cases will suffice to reveal deep differences of perceptions and interests and, as a result, an absence of coordination. The first is the clash with the Reagan Administration over the Spanish initiative of the Contadora Group in the Central American peace processes of the mid-1980s (Nicaragua in particular). This revealed conflicting views on the way of tackling the lack of security in the region and its condition as the USA's "back yard". Secondly, there is the EU's Common Position on Cuba, established on Spain's initiative in 1996 and which has led to a distancing of Europe from other Latin American countries as well as from the USA as said position also condemned the US embargo of the island. Thirdly, there is the vote in the Security Council to authorize military intervention in Iraq in 2003. The government of Aznar clashed with Mexico and Chile, which were firmly opposed. Fourthly, Spain and the USA clashed in 2005 over the sale of Spanish arms to Chavez's Venezuela, revealing the difference of perception of security in the Andean region. In a certain sense, all these cases reveal an old intrinsic difficulty of Spanish foreign policy: how to reconcile Atlanticism, Europeanism and Ibero-Americanism (Niño, 2003).

Finally, as far as the US is concerned, previous major projects for hemispheric integration have been rejected from the outset. A case in point is President Clinton's Free Trade Area for the Americas (FTAA) of 1994 for a single free trade market area from Alaska to Tierra del Fuego. The idea was immediately blocked by Brazil or Argentina, as a neo-imperialist assault on free markets. No fewer difficulties have been experienced by sub-regional processes throughout this time which were blocked either for ideological or technical reasons. Under the George Bush Administration, the political climate in the Americas took a turn for the worse and partial, bilateral agreements were signed with small Central American countries (Hakim, 2006). This blockade closed the door for more than a decade to joint approaches to the LA region from the EU and the US.

The new Obama Administration's approach not only opened up prospects for agreement with Latin America itself², it also raised the possibility of

² See Barack Obama, "Securing Our Citizens' Future", *Speech at the Fifth Summit of the Americas*, Puerto Príncipe, Trinidad, April 19, 2009.

the EU paying more attention to Latin America. Although the results have been disappointing after two years of Obama's mandate, there is room for improvement. Obama has opened up a new era of mutual political understanding and cooperation with Brazil (energy), Mexico (narcotics, immigration), and has defused tensions with Venezuela and Cuba (Hakim, 2010). This attitude of rapprochement and understanding towards Cuba reinforces Spain's bilateral policy with Cuba and its proposal of dropping the "Common Position" of 1996.

The 2010 Spanish Presidency of the EU and Beyond

Spanish influence on Europe's agenda towards the (two) Americas was made clear during the Spanish presidency of the European Council in the first half of 2010. Certainly, the economic context in which the EU-LAC Summit took place in May 2010 was not an easy one. Notwithstanding, the Spanish EU Presidency managed to re-launch Latin America-EU relations in the political and economic spheres³. Paradoxically, European economic stagnation helped the Spanish government to put pressure on its European partners to reinforce bi-regional ties with LA emerging markets, just as G-20 economies like Brazil, Mexico and Argentina keep growing at a faster rate than Europe. Among other achievements, the summit gave fresh impetus to the EU negotiations with MERCOSUR by reopening trade negotiations with a market of more than 700 million people; established a Latin America Investment Facility (LAIF); and concluded negotiations on an association agreement with Central America, the EU's first such regional deal. Madrid also managed to seal a deal with Peru and Colombia, while Ecuador engaged in talks to become involved as well. From now on, a major challenge is to contribute with its heritage, ideas and resources within the framework of the future Euro-LAC Foundation.

As for relations with the USA, the Spanish presidency meant, if not its putting into practice, at least the presentation of a "doctrine of triangulation" that constitutes the basis of a Euro-American vision, mainly on the part of the office of the secretary of state for Ibero-America. This doctrine, which gathers intuitions of previous Spanish governments, proposes a different framework to the FTAA, to closed sub-regional frameworks, and also to an EU-US transatlantic relation disconnected from the Euro-Latin American relation⁴. Basically, it proposes establishing an equal relationship between Spain/Europe and the USA with regard to the Latin American countries, based on fluid dialogue and transparency. This way of approaching relations would be a better response to the new reality

³See the report of the European Commission "La Unión Europea y América Latina: Una asociación de actores globales", Comunicación al Parlamento Europeo y al Consejo, COM (2009) 495/3.

⁴See Vicente Palacio, "El Nuevo Hemisferio Occidental", in *El País*, June 11, 2009.

of these countries, which in most cases are no longer merely recipients of aid, rather democracies in the process of consolidation or emerging economies that are fully aware of their autonomy.

Undoubtedly, the reinforcement of this triangular vision of the "New West", or Euro-Americana, was heavily influenced by the high hopes on the part of Rodriguez Zapatero's government of developing a fluid dialogue with the Obama Administration, with which there was greater affinity than with Bush Jr. The cancellation by President Obama of the summit with the EU to be held in Madrid in May 2010 deprived Spain of the chance to make the relevance of Latin America to the Transatlantic Agenda more visible. However, that has not prevented the seed of that "triangulation" from developing - albeit often in parallel with bilateral cooperation in relation to third countries - and today we can speak of a major advance in joint cooperation with the US and LAC countries or sub-regions, with a specific agenda. Currently, work is being done in two main areas: security and development and humanitarian aid policies, both largely in the Central American and Caribbean region (Haiti). This cooperation among three or more actors constitutes a kind of laboratory in which advances are made by sharing information and rationalizing resources.

For example, in the field of security for the Central-American region (the fight against drug-trafficking, guerrillas and social violence) there is a convergence of the Spanish and European view with that of the Central American countries and of the USA. Security is now understood as a multiple phenomenon which requires reinforcement from development policies. Progress in this field is being made on several fronts. On the one hand, in the bi-regional area EU-CAIS (Central American Integration System) work is being done on these matters following the signing of the Association Agreement under the Spanish presidency. In addition, there is the structured work of the Cooperation Group for Central America set in motion bilaterally by Spain and the USA on the initiative of Spain's secretary of state for Ibero-America, Juan Pablo de Laiglesia, and the deputy secretary of state for the Western Hemisphere, Arturo Valenzuela (Moltó, 2010). This group has expanded progressively to include Canada, the European Commission, Mexico and Colombia and multilateral bodies such as the IDB and even CAIS, which could end up managing these programs independently, reorienting national security plans towards a regional perspective. Spain and the EU have a lot to offer in terms of police, customs, technical assistance or joint information systems (EUROJUST, EUROPOL). All these issues are the subject of the Central American Security Conference of June 2011.

Also noteworthy is the humanitarian coordination in Haiti following the earthquake in January 2010, with very committed actors such as the USA, Brazil or Spain. The EU-USA Development and Humanitarian Aid Council, established at the summit of December 2009 under the Swedish presidency is another channel still to be explored. More generally, the EU-USA talks on Latin America that

take place regularly in Brussels reflect a growing agreement on the diagnosis of many issues between North Americans and Europeans.

Looking to the Future: Towards a Euro-American Approach?

The failings of the Ibero-American and Euro-Latin American approaches suggest the convenience for Spain (and Portugal as well) of complementing these frameworks with a broader Euro-American one, by incorporating new partners such as the US and Canada. The region covering the Americas and Europe shares not only a common heritage - history, values and institutions - but also the elements on which to build a broader Transatlantic Community: trade, investment, immigration and dynamic cultural and social exchanges. Furthermore, high "political expectations" are common to citizens from the entire transatlantic region (Palacio, 2010a). On the LA side, significant improvements in democratic standards coupled with sustained economic growth over the last decade suggest that a broad, interwoven, multi-directional hemispheric cooperation initiative is possible.

For instance, the Ibero-American General Secretariat (SEGIB) is the only institution that acts as an observer in the Euro-Latin American Parliamentary Assembly (EuroLat). However, relations with Brussels have to become much more institutionalized. A rationalization of time and resources between the Ibero-American summits and the EU-LAC summits has also been suggested. In any case, it seems clear that there should be moves towards joint work groups in coordination with other summits (of the Americas, the Rio Group), from a more transversal perspective, in line with globalization. Another channel worth exploring is the global agenda and to do so requires more connection with the United Nations and galvanizing resources and new tools from the European Investment Bank and from the Inter American Development Bank (IDB) towards the region. In addition, the Ibero-American and Euro-Latin American arena could foster consensus on global governance with a view to G-20 meetings (Palacio, 2010b).

The way ahead will not be easy: this map of connections in the Euro-American area is characterized by two contrasting features. One is an intense flow of trade, investment, migration, and institutions. The Euro-American Area accounts for almost one third of the world's states, and 70% of world GDP. No less crucial to the prosperity and stability of the continent is the prominent, growing role of a 'BRIC' nation: Brazil⁵. Also, demographics are important as a qualitative factor: almost all immigration flows (most of them originating in LAC)

⁵Brazil alone accounts for 40% of the LAC's GDP and has more than a third of the LAC population (190 million people). Brazil and the EU have launched a Strategic Partnership and the US is developing a dialogue with the Brazilians on similar issues: clean energies, climate change and investment. At present, the emergence of Brazil as a regional leader is changing the strategic scenario and will have far-reaching implications for both Spain and the EU, as well as for the US.

have the US and the EU as the main destination. However, tough visa constraints remain as barriers to labor and exchange of human capital in the area between LAC and the US and the EU, respectively. The second feature is fragmentation and overlapping - existing regional and sub-regional frameworks (FTAA, ALBA, MERCOSUR, UNASUR, CAFTA etc) and forums (Organization of American States (OAS), Rio Group) - and lack of coordination of frameworks of action, specific programs or institutions among the main actors (Roy, Joaquín, et al., 2005). Also, there is the reluctance of the main actors: US, Brazil and other LA countries. And there is a temptation to exclude the US and the EU with a vision of “America for the Latin Americans”, led by countries such as Venezuela or Bolivia. In this respect, the position of Brazil, which leads the Rio Group, remains ambiguous.

It could also be argued that there is no momentum for the Euro-American project, since Spain has lost part of its leverage on Latin American politics, and the euro debt crisis undermines the economic power of the EU. However, Spain should look to the future and help to redefine the EU approach to the LA region by changing the ways of managing development assistance, trade, and financial flows and, overall, by launching a new political, strategic dialogue with the Americas together with sectorial work. On the one hand, bilateral ties have improved: the growing influence of the Hispanic community in the US, coupled with the development of joint projects in renewable energies or infrastructures, is giving fresh impetus to the US-Spain relation. On the other hand, the EU as a whole – and not only countries like Spain or Portugal – would benefit enormously from massive investment in LA infrastructure and innovation networks. The new attitude of the US should open the way for the Europeans to forge that structured, joint dialogue on LA, one that is built on collaborative foundations and which makes competitive approaches a thing of the past. Also, the shared perception of “external threats” could help to develop a common view: China, which in 2010 replaced the US as the main trade partner of Brazil, could also surpass the EU in less than a decade.

The EU is trying to put into practice the institutional machinery of the Lisbon Treaty, while it tries to consolidate itself as a global actor. Spain still has a major role in preventing central and northern EU countries from perceiving the Euro-American vision as competing for the programs of the Eastern and Mediterranean Neighborhood. A long-term political vision to make Euro-American interests converge would be beneficial not only for a few southern European countries (Spain, France or Italy), but mainly for the US and the rest of the members of the American region.

Common action is open to areas like energy and climate change, development, humanitarian assistance, security, the fight against organized crime, or migration. The Euro-American area could work merely as a political umbrella of actions that share common objectives and that are channeled through a wide array of mechanisms. The Summits, Forums, and Dialogues affecting the partners

could be reoriented in order to simplify the existing, overlapping mechanisms and programs.

Conclusions

Firstly, the incorporation of Spain into the EC in 1986 brought the beginning of a European vision for Latin America and the beginning of a process leading to the present, complex Euro-Latin-American network of regional and sub-regional agreements. The Spanish governments gave shape to the Ibero-American community; kept the European focus on the region alive by pushing forward the bi-regional Association Agreements; acted as mediators in regional conflicts; and were also able to establish the main criteria for the EU position on issues like Cuba, Venezuela, or MERCOSUR. From that perspective, Spanish membership has provided the EU with an indispensable conceptual, political and economic machinery to deal with an emerging region in the 21st century.

Secondly, the Ibero-American community should be reinvented in the light of the new challenges that the Euro-Latin-American framework is facing today in the wake of the financial crisis. The 2010 Spanish EU Presidency pushed forward Latin America-EU relations in the political and economic spheres, but old schemes of bi-regional cooperation and trade should be revamped.

Thirdly, due to historical, political and geostrategic reasons, Spain has not matched its leverage on LA to its bilateral ties with the US - probably with the sole exception of the Transatlantic Agenda signed in Madrid in 1995 - nor has it been able yet to forge a renewed US-EU dialogue on LA. The task ahead is one of complementing the Ibero-American and Euro-Latin American framework of agreements with a new creation: the Euro-American vision. This is challenge that requires patient diplomacy and the investment of resources in bilateral Spain-US and EU-US dialogues.

Fourthly, Spain and Europe, the US and the LA region share strong historical, political, economic ties and common values. A seed of "triangulation" is developing in parallel with bilateral programs, and today we can speak of a major advance in joint cooperation, with a specific agenda. But the centrifugal forces put in motion by globalization suggest that the Euro-American project cannot be taken for granted and needs political will. Spain should work for the backing of not only the Europeans interested in LA, old and new, but rather it also has to work hard to coordinate EU policies with the US.

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The Sun Rising Twice? Spain in 21st Century Latin America

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Abstract

Until the 2007-2009 Great Recession, how could authoritarian Spain become the European Union (EU's) shining star? What did it do to defy the demeaning connotations of the PIGS acronym reserved for the EU's Mediterranean members?

Central to Spain's transformation from authoritarianism to democracy, and from a command economy to a market economy, have been political and economic reforms, not just at three level of analysis (national, European, and international), but also favoring Spain more than Greece, Portugal, or other subsequent and extant members: (a) nationally where the political stability inherited from authoritarianism, the low-cost transition to democracy, and inspiring leadership; (b) at the European level where the easy adjustments to various fiscal, monetary, and currency changes; and (c) globally where the unprecedented U.S. growth rate of the 1990s favoring tourism and trade as well as a revival of Latin Investment interests.

The net results were that Spain's star shone brighter than that of other EU members until the Great Recession, while after that, Spain's relapse is not far worse than other EU members: Unlike Greece and Portugal, Spain's head-start reduce EU's not-south economic gap, but also unlike the stalled growth of extant members, Spain was able to demolish the PIGS caricatures.

Puzzle

In December 2010, Spain completed 25 years of being a European Union member. It also marked the twentieth summit of the "Iberoamerican Community of Nations," as Spain's leaders had envisioned from as early as 1981 (Baklanoff, 1996, 105, but see 105-27). Even as its European and Ibero-American identities were maturing, Spain began exploring Asian connections, raising some sort of a puzzle as to what mixture of national, European, Latin, or global interests was driving Spain.

The post-Franco Spain that returned to Latin America might be compared to the post-World War I U.S. expatriates in Spain that Ernest Hemingway's *The Sun Also Rises* highlighted in 1926. Just as the impotent hero of the novel, Jake Barnes, compensated for his impotency by finding other lovers for the woman he loved (Brett), so too Spain, handicapped by U.S. domination of contemporary Latin America, seeks relief through a string of multilateral arrangements with its own Brett—each Latin country. Just as Spain once challenged Great Britain in having an empire where the sun would never set, its post-Franco Latin indulgences (much like Barnes's sacrifices for Brett), seek another spot in the sun for Spain. Is a "second rising" underway?

My study explores the balance between the promises (catalysts for a Latin return) and pitfalls (constraints), before drawing some conclusions. Central to those conclusions is the idea that, just as Spain sought to look "beyond the nation state" in the immediate post-Franco years (Haas, 1964), its search "beyond the region" (European Union) today better connects its history with its aspirations without sacrificing its *européanness*.

Promises: Catalyzing Latin interests

At least seven catalysts of unequal value demand attention. Profiled in Table 1, they include:

Table 1: Catalysts of Spain's Latin return

<i>Explanations:</i>	<i>Promises:</i>
1. Showcasing Spain's democratic transition	*Regime-change: democracy for dictatorship; political openness (even with its warts), and partisanship *Private sector displacing public **"Consensus" in exporting partisanship: statism elevated
2. Responding to Latin America's <i>apertura</i> :	
3. Exporting economic magic:	*1990s: <i>Golden decade</i> of Spanish investments: largest EU investor in 1990s, largest world investor in 1999, 2000 * <i>Telefónica</i> , numerous banks, <i>Repsol</i> , <i>Endesa España</i>
4. Safeguarding against domestic recessions through external engagements:	*1993: catalyzed Spain's <i>golden decade</i> in Latin investments *2007-10: globalizing Spain's vision
5. Leading the European Union into	*Ibero-Americana summits from 1991 *Madrid May 2010 EU-LAC Summit breaks deadlock in

Latin America:	farm trade: *Central American-EU Association Agreement, resumption of EU-MERCOSUR free trade agreement, and EU-Colombia-Peru comprehensive trade agreement
6. Challenging the United States:	*Challenge is friendly, not antagonistic *Became second LA investor after the United States *Cuba utilized as a wild card
7. Triangulating Latin relations:	*Montobbio's <i>Triangulando la Triangulación</i> (2004) seeking Spain/EU-Latin America-Asia-Pacific framework *Spain as platform for Asian countries and corporations keen on La and EU investments and trade

- a. showcasing Spain's successful democratic transition;
- b. responding to Latin America's *apertura*;
- c. exporting Spain's domestic economic magic;
- d. seeking external economic safeguards against domestic recessionary dips;
- e. leading the European Union (EU) into Latin America (LA);
- f. challenging the United States for Latin leadership; and
- g. triangulating Latin interests with China.

Showcasing Spain's Successful Democratic Transition

Two political dramas within Spain had LA relevance: regime-change (in Spain's case the shift from Franco's dictatorship, and the closed system this entailed, towards democracy); and private enterprises displacing the public sector to highlight market-based reforms. Spain's 1986 EU entry unofficially confirmed that its democratic and market-based transitions were proceeding successfully and irreversibly. The timing mattered, since Latin countries were simultaneously throwing off authoritarian yokes. Spain found another chance to influence a continent it once ruled.

Consensus displaced partisanship in this outreach. Though the conservative People's Party (PP) and the Socialist Party (PSOE) were bitterly divided over a wide variety of policy preferences on the domestic front, they did not robustly or consistently push their positions across Latin America. Leaving partisanship at the water's edge opened up other opportunities.

Spain's "democratic transition," Carlos Malamud argues, displaced such worldviews as *La Hispanidad* (the Hispanic world) and *Cultura Hispánica* (Hispanic culture) of the Franco regime for an "Ibero-American community" (based on "history, language, culture and even religion") (Malamud, 2006, 2). Though the relationship was still "more sentimental than rational" (Gratius, 2010, 2), this

“softer” tone meshed with advertising democracy to a continent similarly structured by dictatorial institutions. From Felipe González, who developed the idea of an Ibero-American annual summit in 1981, to the present Prime Minister José Luis Rodríguez Zapatero, who believes in Latin “democratic consolidation,” Spain’s political parties have abided by that consensus, promoting instead a more comprehensive *noblesse oblige* policy approach. PP’s Jorge Moragas, for instance, spoke of Spain’s foreign policy being “impregnated with Ibero-America,” while PSOE’s Miguel Angel Moratinos likewise believed Ibero-Americana “to be the natural sphere of [Spain’s] foreign policy” (Malamud, op. cit., 3). This orientation was pitched multilaterally (treating all Latin countries symmetrically), rather than on a bilateral basis, at least in Malamud’s interpretation. Susan Gratius, on the other hand, saw it reflecting a *no-policy* approach: “. . . Spain does not have a Plan for Latin America” (as it does for Africa and Asia), she contends, “because Spain thinks of itself as being part of the region” (Gratius, op. cit., 2). While the conservative PP Prime Minister José María Aznar “conditioned” his approach towards socialist Cuba and PSOE’s Zapatero prefers “unconditional engagement,” Aznar showed no qualms meeting Venezuela’s radical Hugo Chávez while Zapatero refrained from pushing fellow socialist traveler, Brazil’s Luíz Inácio Lula da Silva, “to forge a bilateral alliance with the aim of bringing stability to South America” (ibid., 4).

The state benefited more than the party in returning to Latin America, and appropriately so: Successful democratic transition as a model and economic support as an instrument should ultimately characterize the state rather than the party. Although the multilateral Ibero-American view has never been abandoned, Spain also concluded sixteen bilateral agreements after 1988—indicating how easily sentimental attachments blend with self-interests. Other catalysts of Spain’s Latin rejuvenation reaffirmed this.

Responding to Latin American *Apertura*

Latin America’s simultaneous but independent democratic drift resonated with Spain’s interests after its EU entry. In addition to justifying Spain’s role as a democratic transition model, as just discussed, and opening economic opportunities within a neoliberal context, thus cultivating that shared community spirit inherent in the Ibero-Americana movement, Spain also capitalized upon an unexpected vacuum its EU membership brought: The collapse of the Berlin Wall not only shifted Germany’s attention to East Europe at the expense of its new Mediterranean members, but also shifted EU attention east to a geographical area Spain had less interest in than Latin America. With the momentum of its EU membership, Spain almost threw in its lot with Latin America. Fortunately for Spain, Latin countries were in the mood to listen.

Sebastian Edwards, who has studied Latin America’s *opening* very closely, indicates how recovery from deep indebtedness during the 1980s (the *lost*

decade) was uniform and deep (Edwards, 1995, ch. 5). In part this was necessitated by the conditions of borrowing bail-out money: the 1982 Brady and 1989 Baker plans made privatization, liberalization, and multilateral membership the *sine qua non* of the bail-outs. Table 2 conveys the nature and degree of the Latin opening that awaited Spain: With the exception of Mexican non-tariff barriers, there was a wholesome reduction of tariffs and non-tariff barriers for all countries. Meant to promote trade within the Americas, these reductions opened space for post-Franco Spain to explore, but as would transpire, with investments spearheading this LA penetration over trade, Spain ended up losing a stride or two in any leadership competition with the United States.

Table 2: Latin openness, 1980s-90s

<i>Countries:</i>	<i>Tariff Protection:</i>		<i>Non-tariff Protection:</i>	
	<i>1985</i>	<i>1991-2</i>	<i>1985-7</i>	<i>1991-2</i>
<i>1. Argentina:</i>	28.0	15.0	31.9	8.0
<i>2. Bolivia:</i>	20.0	8.0	25.0	0.0
<i>3. Brazil:</i>	80.0	21.0	35.3	10.0
<i>4. Chile:</i>	36.0	11.0	10.1	0.1
<i>5. Costa Rica:</i>	92.0	16.0	0.8	0.0
<i>6. Colombia:</i>	83.0	6.7	73.2	1.0
<i>7. Guatemala:</i>	50.0	19.0	7.4	6.0
<i>8. Mexico:</i>	34.0	4.0	12.7	20.0
<i>9. Nicaragua:</i>	54.0	---	27.8	---
<i>10. Paraguay:</i>	71.7	16.0	9.9	0.0
<i>11. Peru:</i>	64.0	15.0	53.4	0.0
<i>12. Uruguay:</i>	32.0	12.0	14.1	0.0
<i>13. Venezuela:</i>	30.0	17.0	44.1	5.0

Source: Sebastian Edwards, *Crisis and Reform in Latin America: From Despair to Hope* (New York: Oxford University Press, 1995, for the World Bank), 126.

Latin America not only bristled with free-trade agreements at this juncture, but also flirted openly with the United States. Table 3 indicates 16 of them, while Table 4 points out how intra-regional trade expanded for all countries except Chile (which traded more with Europe), Costa Rica (also a high European trade partner), Mexico (trade increasingly concentrated on the United States), and Venezuela (petroleum exports to diversified markets). For more than a majority of these countries, the United States was the largest trading partner, complicating Spain's return, especially when the United States vigorously sought Latin free trade agreements (ultimately to converge into the Free Trade Area of the Americas whose origin lay in President George H.W. Bush's June 1990 Enterprise for the Americas Initiative, through which he hoped to bring all of the Western Hemisphere together, "from Alaska to Tierra del Fuego") (Feinberg, 1997).

Table 3: Free trade agreements by Latin countries

<i>Agreements:</i>	<i>Year:</i>
*Andean Trade Preference Act:	1991
*Chile-Colombia Free Trade Agreement:	1993
*Chile-Mexico Free Trade Agreement:	1991
*Chile-Venezuela Free Trade Agreement:	1993
*Colombia-Venezuela Free Trade Agreement:	1992
*El Salvador-Guatemala Free Trade Agreement:	1992
*North American Free Trade Agreement:	1992
*Group of Three (Colombia-Mexico-Venezuela Free Trade Agreement):	1993
*Costa Rica-Mexico Free Trade Agreement:	1994
* Mexico-Central America Free Trade Agreement:	1992
*Venezuela-Central America Free Trade Agreement:	1992
*Nueva Ocotepaque Agreement (El Salvador, Guatemala, Honduras):	1992
*MERCOSUR:	1991
*CARICOM:	1991
*CARICOM-Venezuela Free Trade Agreement:	1993
* Colombia-Central America Free Trade Agreement:	1993

Source: Sebastian Edwards, *Crisis and Reform in Latin America: From Despair to Hope* (New York: Oxford University Press, 1995, for the World Bank), 143-7.

Table 4: Latin intra-regional trade

Countries:	1970:	1980:	1993:
1. <i>Argentina:</i>	21.1	23.8	37.3
2. <i>Bolivia:</i>	9.7	36.7	44.6
3. <i>Brazil:</i>	11.8	18.1	22.9
4. <i>Chile:</i>	12.2	24.3	18.5
5. <i>Colombia:</i>	10.5	17.6	24.8
6. <i>Costa Rica:</i>	23.9	35.0	16.5
7. <i>Mexico:</i>	9.8	6.9	4.9
8. <i>Peru:</i>	6.5	21.2	21.7
9. <i>Uruguay:</i>	12.8	37.3	45.7
10. <i>Venezuela:</i>	33.5	22.2	30.3

Source: Sebastian Edwards, *Crisis and Reform in Latin America: From Despair to Hope* (New York: Oxford University Press, 1995, for the World Bank), 148.

Spain, instead, concentrated upon demonstrating (a) democratization; (b) liberalization; and (c) regionalizing arrangements, emphasizing culture and investment. Only the United States could match Spain in each of these at the least. While another section addresses Spain's U.S. challenge in Latin America, suffice to say here Spain's LA re-entry (a) offered an alternative to the United States in case any Latin country was interested; (b) diluted U.S. presence and influence somewhat, and particularly since, until then, the Organization of American States (OAS) was the monolithic multilateral platform for Latin countries, whether they sincerely believed in its mission or not; (c) gave Spain a frontal exposure to hard-core competition at the individual level, rather than as part of a group, such as the European Union; and (d) paved the way for the subsequent EU entry into Latin America. Obviously not filled with roses, Spain's LA return nevertheless (a) elevated its stature as an economic and democratic model; (b) exposed it as the gatekeeper of Europe and EU's entry into Latin America; (c) placed it on track to become a global player; and (d) clarified both its role and mission in a new era. For a vast majority of countries, and certainly for Spain during the Franco interregnum, these were simply impossible expectations.

Exporting its Domestic Economic Magic

Even though Spain embraced a market economy through its 1979-82 economic plan and benefited hugely from the EC's "harmonization fund," it still took three devaluations during 1992-3 to put growth on an irreversible track ("Spain . . .," n.d.). As if complementing its successful democratic transition, Spain began what became a prolonged spell of growth backed by a construction boom (helped no less by government deregulations permitting vast public sector communications infrastructures, such as the high-speed Madrid-Seville railway, airports, and highways). As Table 5 shows, between 1980 and 2010, Spain's gross domestic product (GDP) growth rate turned negative only in the recession years (1981, 1993, 2009, and 2010), and though unemployment increased in 14 of the 30 years, the three prolonged spells of unemployment decrease (1986-90, 1995-2001, and 2004-7) encouraged foreign adventures: It was during the 1986-90 period, when Spain joined the EU, that the details of the 1991 Ibero-Americana Summit were finalized; the 1995-2001 phase coincided with what Ramón Casilda Béjar called *the golden decade* (Casilda Béjar, 2002), when Spain became "the foremost European investor [in Latin America] during the entire decade of the 1990s" and "the world's largest foreign investor in Latin America during both 1999 and 2000" ("Was . . .," 2003); and the 2004-7 phase conveyed how Spain's European/Iberian economic circumference was broadening to the global level through a China-based triangulation.

Table 5: Spain's G.D.P. growth & unemployment rates, 1980-2010

<i>Year:</i>	<i>GDP growth (in constant prices)</i>	<i>% change</i>	<i>Unemployment</i>	<i>% change</i>
1980	1.203		11.011	
1981	-0.408	-133.92	13.755	24.92
1982	1.239	-403.68	15.77	14.65
1983	1.652	33.33	17.215	9.16
1984	1.698	2.78	19.937	15.81
1985	2.362	39.1	21.305	6.86
1986	3.432	45.3	20.907	-1.87
1987	5.709	66.35	20.223	-3.27
1988	5.285	-7.43	19.238	-5.81
1989	5.004	-5.32	17.24	-10.39
1990	3.847	-23.12	16.238	-5.81
1991	2.525	-34.36	16.313	0.46
1992	0.851	-66.30	18.353	12.51

1993	-1.314	-254.41	22.118	23.36
1994	2.335	-277.7	24.118	23.36
1995	4.122	76.53	22.9	-5.05
1996	2.421	-41.27	22.08	-3.58
1997	3.865	59.64	20.61	-6.66
1998	4.469	15.63	18.605	-9.73
1999	4.745	6.18	15.64	-15.94
2000	5.053	6.49	13.873	-11.30
2001	3.645	-27.86	10.553	-23.93
2002	2.704	-25.82	11.475	8.74
2003	3.098	14.57	11.48	0.04
2004	3.267	5.46	10.97	-4.44
2005	3.615	10.65	9.16	-16.5
2006	4.017	11.12	8.513	-7.06
2007	3.572	-11.08	8.263	-2.94
2008	0.864	-75.81	11.327	37.08
2009	-3.7222	-530.79	18.01	59.00
2010	-0.345	-90.73	19.9	10.49

Sources: Central Intelligence Agency, "Spain GDP: Real growth rate," *World Factbook*, December 2010, from: http://www.indexmundi.com/spain/gdp_real_growth_rate.html; and -----, "Spain unemployment rate," December 2010, from: http://www.indexmundi.com/spain/unemployment_rate.html

One consequence of externalizing Spain's domestic economic growth was the scramble of many corporations to expand foreign assets. Latin countries fell in line almost automatically, indicating, from the bilateral nature of corporate actions, that, though multilateral Ibero-America was a useful and integrative political slogan, to really tango, bilateral deals were better. *Telefónica* led the way. Even before the golden decade ended, it purchased large shares in Argentina (*Sintelar*=25 per cent and *Telefónica de Argentina*=19.38), Brazil (*CRT*=35, *Embratel*=20, *Telesp*=65, *Telesp Celular*=38, and *Tele Sudeste Celular*=75), Chile (*CTC*=43.6 and *Publiguías*=51), Colombia (*Codelco*=31), El Salvador (*INTEL*=51), Guatemala (*Telefónica de Guatemala*), and Peru (*CPT*=35, *Entel Peru*=35) (Toral, 2001, 20). Robust and sustained deregulation permitted this outreach while also rejuvenating a neophyte private sector.

Banks from Spain also sought Latin partners, such as *Bank Argentaria* (in Argentina, Bolivia, Brazil, Colombia, Mexico, and across Central America), *Banco Bilbao Vizcaya* (in Argentina, Bolivia, Brazil, Colombia, Mexico, Panama, Peru, Uruguay, and Venezuela), *Banco Central Hispano-Americano* (in Argentina, Bolivia, Chile, Colombia, Mexico, Paraguay, Peru, and Uruguay), and *Banco de Santander* (Argentina, Brazil, Chile, Colombia, Mexico, Peru, Uruguay, and Venezuela) (ibid, 21). *Santander*, in fact, chipped in to the \$45 billion

borrowed by the Anglo-Australian BHP Billiton mining company, while *Banco Bilbao Vizcaya (BBV) Argentina* is one of the financiers of a liquid natural gas plant in Mexico for firms from Japan, South Korea, and Mexico (Schaefer Muñoz & Bjork, 2010). Out of nowhere, BBVA now ranks 34th in global debt capital and 77th in global deal-advisory.

Other corporations also sought Latin subsidiaries: *Endesa* (in Argentina, Brazil, Chile, Colombia, Peru, and Venezuela) and *Repsol* (in Argentina, Chile, Ecuador, Mexico, Paraguay, and Venezuela) (Toral, op. cit., 22). *Endesa*, for instance, purchased a majority shareholding of Chile's *Enerdis* in 1999, while *Repsol*, Spain's oil giant, swallowed Argentina's YPF for U.S.\$13.5 billion—Spain's largest Latin investment until that time. Though Argentina's financial collapse doomed this investment, other franchises from Spain were still attracted, including *Zara*, the clothing company, while LA infrastructural developments also wooed investors in Spain (for example, port construction in Chile, and the U.S.\$320 million *IberdrolaIngeniera* co-generation power plant in Salamanca City, Mexico). In short, Spanish investment exploded in the *golden decade*, averaging U.S.\$9.7 billion each year until 2000, when it actually hit \$20 billion. Just two years earlier, whereas U.S. foreign direct investment (FDI) in Latin America was \$14.3 billion, Spain's was \$11.3 billion. Not only that, Spain also sought to diversify its investments beyond former colonies. Brazil fitted in, and investments there spiraled from \$112 million in 1996 to \$6 billion in 1998 (Faiola, 2008).

The *latinization* of Spanish capital was incredible. For example, 51 per cent of *BBVA's* investments was in Latin America, 46 per cent for *Repsol*, 43 per cent for *Santander*, 35 per cent for *Telefónica de España* (which spent \$100 billion in Latin America), 23 per cent for *Endesa*, and 16 per cent for *Iberdrola*.

Argentina's financial collapse at the turn of the century dented Spain's presence and investments, but did not result in any large-scale retreat. In fact, since it coincided with Spain's Asian shift, it lubricated that shift. Spain continued to make Latin financial waves (with short-term interests driving out long-term considerations).

On the basis of its Latin inroads, Spain also qualifies as a "surrogate market." Rajarshi Aroskar, who posits this argument, explains Spain to be "an excellent alternative to investment in Latin American markets" because (a) the reduced costs of investment since the number of investments is fewer; (b) Spain's developed market reducing risks; (c) market accessibility due to the reduction of restrictions; and (d) the opportunity to diversity operations (Aroskar, 2007, 99). Not only have Spain's Latin investments begun to boomerang back on Spain, and positively at that, but they have also weathered financial storms, like the Argentinian crisis. As the second largest foreign investor in Latin America by the mid-1990s, after the United States, Spain found a foothold many other EU members have vainly sought for far longer.

Seeking External Safeguards against Domestic Recession

Since Spain's Ibero-American adventure began in the early 1990s, the country has faced two fairly significant recessions. The first was in 1993, the second beginning in 2007 and still ripe in 2011. One can easily contend that the first recession dovetailed Spain's Latin interest, at the least, and in fact, catalyzed engagement in that playground, at the most. The second only intensified Spain's Ibero-American search for a Latin solution to its domestic problems. In both instances, paraphrasing E. H. Carr, the "new world" came in to salvage the "old" (Carr, 1965).

Returning to Table 5, we note the deleterious effects of the two recessions. The negative 1993 growth rate (-1.314 per cent) led to the sharpest GDP decline (-254.41) since the 1981-2 recession (-403.68), only to be overtaken by the 1994 tumble (-277.7). We also note how unemployment for the two years was among the worst for Spain (22.118 per cent and 24.118) since Franco's tenure. Similarly for the ongoing recession: Though 2007 registered a respectable 3.57 per cent growth rate, the free-fall from 2008 (0.864 in 2008, -3.722 in 2009, and -0.345 in 2010 GDP) was mirrored by unemployment figures climbing rapidly from 8.263 per cent in 2007 to 11.327 in 2008, 18.01 in 2009 and 19.9 in 2010.

Latin America came to the rescue, but not necessarily through a Latin initiative. We observed previously how exporting Spain's economic miracle to Latin American countries had taken off at about the time of the first recession. Though Spain's *golden decade* of overseas investment did not alone bring the country out of its recession, it softened the pain. This is not to argue the recession alone catalyzed Spain's renewed Latin interest: the Ibero-American summits serve as a more credible catalyst. Nevertheless, the 1993 recession, more than the 2007-10 counterpart, indicated how looking beyond the EU has its advantages for member countries: Without Latin engagements, Spain's recovery might have been seriously slowed.

This lesson proved useful during the 2007-10 recession. Even though Latin America is no longer as fertile for Spain's engagement as the 1993 recession found it to be, Spain seems to be looking beyond not just the European Union but also Latin America today: It has plans in Asia which were hardly there in 1993; and as a subsequent section will elaborate, some of those Asian plans bear directly upon Latin America, with Spain serving, in the words of its current prime minister, Zapatero, as a "bridge" (for Asian agencies not just to Latin America, but also the European Union)

Fortunately for Spain, many of the major Latin countries did not face recessionary pressures of the same degree on both occasions: In 1993, with the possible exception of Mexico, they were heaving a sigh of relief from exiting the *lost decade*, and since 2007, many Latin countries have largely escaped the se-

verity of recession faced in many parts of West Europe (and North America). Here again, Carr's comment of the "new world" rescuing the "old" applies.

Leading EU into Latin America:

Spain has endeavored "to bring Latin America back to the forefront of the EU foreign affairs agenda," even though Latin America is generally "not a priority of the EU" (Gratius, op. cit., 1). Nevertheless, as Malamud succinctly observes: "Having European ties and a European identity strengthens Spain's role in Latin America, while having Latin American ties and a Latin American identity strengthens Spain's role in the EU" (Malamud, op. cit., 4).

Through the Ibero-Americana summits, advertised no less through King Juan Carlos's 1991 *encuentro* reference (Blázquez Vilaplana, 2004, 109-32), Spain dragged the EU into Latin America; and though the interests of both varied (oftentimes sharply), major institutional innovations were made. Table 6 profiles these.

Table 6: Ibero-American summits & institutional innovations

<i>Phases:</i>	<i>Institutional Innovations of the Ibero-American Summits:</i>
<i>Phase 1</i> (1991-5):	*Heads-of-government meetings *5-country coordination committee
<i>Phase 2</i> (1995-9):	*Cooperation Convention (Bariloche Convention) *National Coordinators meetings institutionalized *Cooperation managers meetings institutionalized
<i>Phase 3</i> (1999-2003):	*Permanent Coordination body established at Havana (1999) *Protocol to the Cooperation Convention signed (creating Secretariat for Ibero-Americana summits—SECIB, with Spain providing 80 percent of the funds)
<i>Phase 4</i> (2003-7):	*General Secretariat for Ibero-Americana (SEGIB) established, an Aznar initiative, and headquartered in Madrid
<i>Phase 5</i> (2007-):	*EU-Central American Association Agreement *EU-LAC (Latin American and Caribbean) summitry *CAN (Andean Community of Nations) summitry

Source: Carlos Malamud, "Spain's policy and strategies towards Latin America," *FOCAL: Canadian Foundation for the Americas* (June 2006): 10.

Spain's *golden decade* in South America proved to be some sort of a nadir for the European Union in Latin America. At stake was the EU's Common Market Organisation for Bananas (CMOB) preferences for bananas from, among others, Belize (which is not in the Ibero-American network) over Central and South

American exporters (which are). Ecuador, Guatemala, Honduras, and Mexico, on the one hand, and Colombia, Nicaragua, and Panama, on the other (in chronological order of expressing concerns), lodged complaints against the European Union at the World Trade Organization (WTO) in 1993 and 1996. The United States became involved since some of the largest banana companies, such as Dole, were from the United States. In September 1997, the WTO charged the European Union for being “inconsistent” with its tariff applications, and authorized the United States in April 1999 and Ecuador in May 2000 to apply sanctions, prompting the European Union to withdraw its quotas in April 2001, leaving only tariffs in place. As the European Union added more tariffs in January 2005, inter-regional relations soured, producing more WTO complaints and WTO rulings against the EU (twice in 2005) (“EU-Latin . . .,” n.d.).

Spain’s intervention helped. Its EU State Secretary, Diego López Garrido, announced a “strategic association” between the two regions on May 14, 2010, with four components: (a) enhance relations with Mexico; (b) develop innovation and development plans with Chile; (c) formulate an Association Agreement with Central America; and (d) resume relations and negotiations between the European Union and MERCOSUR. At the Madrid May 2010 EU-Latin America-Caribbean (EU-LAC) summit lowered banana tariffs and led to the first inter-regional agreement—between the European Union and Central America. Although EU quotas were introduced for Central American rice and beef, EU and MERCOSUR countries, encouraged by the agreement, resumed negotiations that had sputtered from 1999 (even though MERCOSUR strongly opposes beef quotas) (Sutter, 2010). Although the Central American-EU deal is an Association Agreement, it “relaunched” EU-MERCOSUR free trade agreement and the EU-Colombia-Peru comprehensive trade agreement talks.

These were not surprising elements. In 2008, the European Union was MERCOSUR’s largest trading partner, accounting for 20.7 per cent of MERCOSUR trade and MERCOSUR accounting for 2.7 per cent of EU trade in 2009. While the European Union was the largest farm market for MERCOSUR, it was also the largest MERCOSUR investor. Broader still, during 2009, Latin America exported Euro71 billion of goods to the European Union and imported 63.4 billion of goods from the European Union, while Euro19 billion of services were exported and 28 billion were imported in that same year—doubling the 21st Century trade value almost overnight (European Commission, 2010).

The Ibero-American summits, though focused on Latin America, also look beyond. They are organized by the Ibero-American Community of Nations, an institution evolving from 1981. On the one hand, this Spanish initiative, invites Portugal and thereby its prize Latin claim—Brazil. On the other, Spain’s non-Latin historical claims, such as Equatorial Guinea and the Philippines, joined as “associate” members in 2009, while Belize and Timor seem keen on joining. Other than Spain and Portugal, there are 20 Latin countries, and of the 20 annual summits until 2011, only Argentina, Chile, and Spain have hosted more than one

(twice for each), while Spain is set to host its third—the 2012 summit in Cadiz—indicating its serious leadership search. Even though Zapatero was absent in the 2010 Mar del Plata Ibero-American Summit (as too Hugo Chávez for reasons of a national weather-related calamity, and not for being scolded by King Carlos two years earlier), there was no denying a robust Ibero-American platform had emerged: Together, the various countries supported Argentina in the Malvinas dispute with Great Britain, and urged the United States to comply with the 19 U.N. General Assembly resolutions to end its blockade against Cuba, reaffirming Spain's 1999 Havana initiative of resolving the Cuba-U.S. dispute.

Through these summits, the Ibero-American movement is being steadily institutionalized, as Table 6 had indicated. While a Permanent Coordination body was established in Havana in 1999, Spain's Prime Minister Aznar's proposal to establish a General Secretariat for Ibero-Americana (SEGIB) was accepted, with it being headquartered in Madrid. Earlier a Secretariat for Ibero-American Summits (SECIB) was also created by the Protocol to the Cooperation Convention. While Spain provided 80 per cent of the funds for these summits, regional offices opened up in Argentina, Brazil, Colombia, El Salvador, Spain, Mexico, and Peru, there are field offices in Chile, Honduras, Nicaragua, and Paraguay.

In turn, the Ibero-Americana summits spawned yet other regular summits: EU-LAC, CAN (Andean Community of Nations), while concerted efforts were made, unsuccessfully thus far, at aligning the European Union with MERCOSUR. Ultimately, none of these institutions and interests would have evolved without Spain's intermediary role. Even as EU expansion shifted attention to Central and East Europe, Spain's relentless Latin engagements eventually culminated in the May 2010 Madrid Summit of the Latin and European worlds.

At least three factors stand out: the European Union's preference for bilateral agreements as opposed to Spain's multilateral; its more rational LA approach than sentimental; and its greater toleration of Brazil, as opposed to Spain's rivalry with a country that was not only not a part of Spain's colonial system, but also a keen competitor in becoming the eighth largest economy in the world.

Challenging the United States in Latin America

Spain's Latin interests may be responsible for its mixed relations with the United States: On the one hand, it coat-tails the United States into Latin America, free-riding on the security created and defended by the United States during the Cold War and through the OAS; and on the other, it competes with U.S. investments in the continent, while also challenging, through the Ibero-Americana system, the OAS pre-eminence as the most representative LA forum.

That domestic partisanship did not feed into, and has not exploited, Spain-U.S. relations suggests the challenge to be more friendly than antagonistic. Aznar's closer relationship with the United States, and particularly his engage-

ment in the war on terrorism (such as sending combat troops to Iraq) was not popular in Latin America, but since it was only to be expected of the PP philosophical orientation, Latin countries could live with it. Zapatero's retreat from the Iraq war, similarly, neither disrupted relations with the United States nor was it utilized to win political capital in Latin America.

Nevertheless, Zapatero has not shied from playing into typical Latin sentiments about the United States. His usage of the Ibero-American summits as a vehicle of explicit anti-U.S. positions curries well with the socialist countries in Latin America, in turn, taking him closer to unifying Latin American countries than Aznar could. Like Aznar, however, Zapatero remains a stout supporter of the North Atlantic Treaty Organization, even while playing the Latin sentimental card.

In the final analysis, with Spanish threatening to become a second U.S. language, in addition to the growing Hispanic influences in that country, Spain has no reason to shy from the implications these entail: They would feed into the idea of world leadership that Spain was divorced from in the 1898 defeat to the United States, resulting in the loss of two key colonies: Cuba and the Philippines.

This defeat is a more recent Spanish memory than Spain's loss of its Latin American colonies to independence movements earlier in the same century. Its LA return provides an opportunity, under more favorable circumstances, of keeping up that friendly U.S. challenge. In addition to slowly inducing Cuba to eventually democratize by virtue of its Ibero-American summit participation, Spain hopes to use Cuba as an instrument not only against the United States, but also one pried back from the United States.

Triangulating Latin America with China:

China increasingly intertwines with Spain's post-EU and extra-EU interests: It provides that global context within which memories of Spain's lost leadership becomes meaningful, while at the same time adding another instrument in narrowing the gap with the United States. Above all, it is willing to let Spain be the "bridge" to Latin America, if not to the rest of the European Union. Triangulation is the name of the game: a China-Spain-Latin American triangular framework to displace a China-U.S.-Latin American counterpart. Though a Chinese insistence today, the term originated in Spain and reflected Spain's interest and inclinations from much earlier.

Klaus Bodeman, who has researched the triangulation policy approach thoroughly on behalf of the European Union, traces the term's intellectual origin to Spain's Special Ambassador Manuel Montobbio's December 2004 *Triangulando la Tringulación: España/Europa-América Latina-Asia Pacífico*. In terms of policy-making, Spain had adopted an Asia-Pacific Framework Plan in 2000, while *Casa de América* in Madrid and *Casa Asia* in Barcelona had triangulated between Latin America-Caribbean (LAC) and Asia-Pacific for the government.

Bodeman posits six global-level changes necessitating a triangulation policy for Spain: (a) increased dynamics of multilateral cooperation at the regional level; (b) LAC diversifying its foreign relations to Asia, creating a South-South framework bypassing Spain; (c) the end of the Cold War inducing a phase of self-assessment in both Europe and Latin America; (d) Europe not having a counterpart to the Washington Consensus; (e) the growth of trading blocs in both Europe and the Americas; and (f) the LAC inability to enter any European foreign policy priority list (Bodeman, 2008, 15-23).

That Spain could respond to these, and thereby induce the European Union to shift its own policy orientation, propelled Montobbio to cast his triangulation thesis in terms of three environments and two contexts, as Table 7 indicates.

Table 7: Dimensions behind Spain’s triangulation policy approach

<i>Dimensions:</i>	<i>Relevance for Spain:</i>
<p><u>Environments:</u></p> <ul style="list-style-type: none"> a. economic b. political c. cultural <p><u>Contexts:</u></p> <ul style="list-style-type: none"> a. development cooperation: b. communication media 	<ul style="list-style-type: none"> a. invite Asian companies targeting EU and LAC to Spain b. pursue both bilateral and multilateral triangulation strategies c. spread the Spanish language in Asia-Pacific <ul style="list-style-type: none"> a. Spain’s infrastructure in LA could help Asian companies b. prevent market failures for Asian corporations through insufficient information: Spain could bridge that gap

Spain serves not only Chinese interests and inclinations, but also Korean. Given China’s long-term attraction to Latin American raw materials and markets, Spain finds the opportunity to lubricate the pathways. On the one hand, it helps the Chinese to learn the dominant Latin language: Spanish. On the other, it makes available all kinds of capital Chinese and Korean firms might need in Latin America. On a third front, Spain also becomes the platform for Chinese, Korean, and other Asian countries and corporations keen on EU investments and trade.

In addition to making Spain more of a necessary Latin player, this triangulation is also helping Spain look more closely at other distant parts of the world, such as Asia. In 2002, Zapatero developed an Asia Policy Framework, though the volume of transactions through this medium might be less important

than the value it represents: It provides Spain a viable alternative, not just to the European Union of which it is a salient member, but also to the Latin continent with which its sentimental attachment is turning materialistic. Asian connections help reincarnate Spain as a global player.

Pitfalls: Speed-bumps rather than road-blocs

Though Spain went charging into Latin America from the 1990s, have two decades of experiences tempered the initial enthusiasm? The answer cannot be “no” since Spain is still intensively and extensively engaged in 2011. The original glamour is not there as hopes mesh with realities, but the apparent shortcomings represent speed-bumps more than road-blocs: They both double-check against hasty and imprudent action and also alert the country of other possibilities. Table 8 profiles them, with discussions below in the same order.

Table 8: Pitfalls complicating Spain’s Latin return

<i>Explanations:</i>	<i>Pitfalls:</i>
1. Showcasing Spain’s democratic transition:	*The United States was more influential on this front since it was associated with the bail-out programs: 1989 Enterprise of the Americas Initiative of George H.W. Bush
2. Responding to Latin America’s <i>apertura</i> :	*Involved exposure to Latin economic fluctuations, such as Argentina *Public perception of a Spanish “reconquest”
3. Exporting economic magic:	*Developed-developing country syndrome activated *Trade too low
4. Safeguarding against domestic recessions through external engagements:	*Could run into boom-bust cycle given Latin America’s more frequent business fluctuations
5. Leading the European Union into Latin America:	*Agriculture the Achilles Heel *Harmonizing Spain’s interests with the EU’s
6. Challenging the United States:	*Lose-lose possibility if pushed too far
7. Triangulating Latin relations:	*Slippery slope given China’s self-help foreign economic policy approach

Showcasing Spain's Democratic Transition

Two problems may have arisen with Spain's democratic demonstration effect: (a) the United States makes an equally valid claim, if not more, as the source of Latin democratization, thus unnecessarily compounding a stable bilateral relation with Spain; and (b) not many Latin countries have been able to replicate Spain's more fluent transition, and those that have (Costa Rica) do not trace the transformation to Spain.

On the one hand, as part of his New World Order, President George H.W. Bush not only raised the democracy banner for Latin countries, but also witnessed the independent growth of democracy-minded, technocratic, and youthful leaders seeking regime-change. Noticing this at the 1989 Cartagena Summit to discuss drug-trafficking problems, he was motivated in June 1990 to propose the Enterprise for the Americas Initiative on that basis, getting the ball of democracy promotion rolling even before the first Ibero-American summit had convened. This is not to say his vision prevailed; but that it modified Spain's approach there can be no doubt. If Latin democracy persists a generation or more (the time generally needed for institutions to mature and become irreversible) (Huntington, 2006), both Spain and the United States can share, rather than seek individual, credit. In fact, since only a democratic regime can meet the Washington Consensus expectations, the instrumental edge belongs to the United States.

On the other hand, over those two decades of Ibero-American summitry, some Latin countries have deviated, not just from Spain's trajectory, but also U.S. expectations. It is not the antipathy of the leftist resurgence in Bolivia, Brazil, Ecuador, Nicaragua, and Venezuela, among other countries, but the underlying issues of indigenous accommodation, inequality reduction, or environmental protection are not the issues Spain (or the United States) can serve as a model for. Indeed, that democracy still remains fragile in some Latin countries (all Central American countries, except Costa Rica, for example) or threatens governmental breakdown (Argentina or Mexico), suggests Spain's irreversible experience did not go the full circle across Latin America. While a "democratic clause" was adopted at Mar del Plata (no membership without democratic credentials), Zapatero's absence was significant since the kind of democracy viable in Latin countries may be an issue better left to Latin Americans than Spaniards. The OAS's democratic clause carries more mileage, at least by virtue of precedence.

Responding to Latin America's *apertura*:

Two problems related to Latin America's *apertura* bedevil Spain's Latin return: (a) Spain could itself get infected by economic fluctuations, and thereby instability originating in Latin America; and (b) Spain's return could trigger more re-

sistance than welfare among the public, since this time around, democratic Latin countries have more of a voice to express perceived concerns.

Argentina's post-2000 economic free-fall first indicated how Spain could be negatively impacted: Investors responsible for Spain's *golden decade* in Latin American were sufficiently hit by this meltdown as to think twice before continuing with open-ended, cut-throat operations, and this could become contagious if other Latin countries were similarly disposed. In the final analysis, such an outcome would compel Spain to bail sinking Latin economies out the way the United States did in the 1980s. Would Spain be able to follow through given its own current recession and EU obligations/constraints? It is hard to say for sure, but conventional wisdom suggests that only the United States would do it again since Latin American has been more a vital interest of the United States for far longer than it has been for Spain. Consciously aware of this, Latin countries do not have any plans to sever U.S. relations.

Besides, if bad turned to worse, and Latin countries cannot deliver elevated expectations, the fall-out would damage Spain's presence and pre-eminence across the Western hemisphere. Of course, this is also true of the United States, but the United States seems to have weathered more unfavorable Latin weather and survived. Whether Spain can do the same when it is not a contiguous Latin neighbor is to open a question eliciting only negative answers.

Simultaneously, the public has not been swept by Spain's resurgence. Protests in Chile accompanied the huge Spanish investments during the late 1990s. Disputes have also arisen which could shift from the legal domain into nationalism-generating excuses. For example, Spain complained in 2009 to the International Convention for the Settlement of Investment Disputes (ICSID) over Mexico stalling the inauguration of the toxic waste disposal plant in Zimapán funded by Spain. Public protests became nationalistic very rapidly, as one might expect when a developing country confronts a developed counterpart, thus thwarting legal procedures, souring relations, and leaving poor taste behind. These long-term possibilities of short-sighted current action may form the basis of the most underlying lesson Spain can learn from Latin countries if it seeks to play for the long haul.

Exporting Economic Magic

Spain's *golden decade* blatantly exposed two evergreen problems: (a) the asymmetrical developed-developing country syndrome just mentioned, constraining the expected benefits from routine transactions; and (b) overemphasis on investment at the expense of trade.

Being located in the U.S. sphere of influence has made Latin countries very sensitive about developed-developing country dynamics (as the emergence of the *dependencia* school of thought in the 1950s indicated) (Prebisch, 1950; ---, 1970; & Love, 2006). Overzealous Spanish engagement, like in the 1990s,

could easily spark public reaction, as just alluded to, but an outcome Spanish firms (like any other firms) can only know *a posteriori*. Since constructing social capital in a competition-based free-market economy typically falls behind constructing economic capital, Spain's LA investors may need to measure LA social temperatures more seriously, both before and during their engagements.

What has been equally hard in Spain-LA economic relations is the relative absence of trade as a determining factor—even as a routine factor. Trade exchanges between Spain, on the one hand, and the typical Latin country, on the other, have been pathetically low, as too the European Union's aggregate trade exchanges with Latin countries. Although the proportion of trade between Spain/EU and LA countries is increasing, many countries have too sticky policy-making feet to drift from the United States (such as Mexico), which remains the largest trading partner for many Latin countries, and especially in the wake of the several free-trade agreements concluded. Trade exchanges have the capacity to soften the developed-developing investment asymmetry: They add more to the national pie than they subtract, and the vested groups generated can play a more positive role than negative. Since a lot of Latin exports remain primary products while imports tend to be secondary products—itsself the source of what the *dependencia* school called structural inequality—the trade arena contains automatic thorns that must first be blunted.

Safeguarding Against Domestic Recessions

Safeguarding against domestic recessions is not a sufficient reason for Spain to renew its Latin interests. As previously observed, the tendency of more economic fluctuations across Latin America (or in any one Latin country) does not augur well for Spain: It could end up exchanging its investors for those fluctuations. Opening foreign investment to safeguard against domestic downturns necessitates safeguarding those investments themselves—not so much *against* local opposition to those investments *per se*, but from local problems generated by those investments, such as environmental insensitivity (which would then ricochet back home), or not building up social capital.

Leading the European Union into Latin America

As was obvious over the past two decades, leading the European Union into Latin America spawned at least two problems: (a) reconciling agriculture; and (b) harmonizing Spain's interests with the European Union.

One yardstick to measure the success of leading the European Union into Latin America could be the adoption of an EU-MERCOSUR free trade agreement. This has been stalled/stumped from the late 1990s by agricultural trade: Led by France and several East European countries (and sometimes also Spain), resistance against inexpensive Latin products has more or less become institu-

tionalized. Rice and beef have become the key impediments, but until May 2010, Central American bananas also faced the same deadlock. Though this Central American dispute was somehow resolved (even then patchily, since Central American beef and rice continue to face EU quotas), settling similar disputes with MERCOSUR could prove more uphill, especially when Spain and Brazil have behaved more adamantly against each other (as global competitors).

Until the May 2010 Madrid EU-LAC Summit, Spain also had a difficult time getting the European Union on board its LA interests, or at least get on the same LA wavelength. Spain cannot assume EU interest convergence since the European Union has multiple interests and spheres of influence, all of them in constant flux, and tides may flow as much away from Spain (as they did in the 1990s) as toward it (as in 2010).

Challenging the United States in Latin America

Spain can chip away at U.S. advantages or U.S. search for LA leadership, but to challenge the United States more formally could prove disastrous for both, more so for Spain than the United States since it carries far less economic weight and is geographically less diversified. Though Spain's presence eases Latin dependence on the United States, it would be a leap of faith to expect Spain to become an alternative to or a replacement for the United States: One reason why Spain could come so close to matching U.S. foreign direct investment in Latin America was not so much U.S. rivalry as the emigration of U.S. FDI, particularly to China, at the end of the 20th Century.

In addition, U.S. franchises (from McDonald's to Walmart, Starbucks to MGM) are so ingrained in Latin societies (from food to clothes to movies to automobiles) as to be so easily dislodged. There is also little space for U.S. competitors: Spain does not have iconic counterparts (like Starbucks) to attract increasingly eclectic customers, and indeed, Spain has thrived in areas where giant public sector industries were privatized (oil, communications), thus remaining behind in the learning curve. Though Spain's corporations are making strides in virgin sectors (clothing, for example), by gobbling up entire markets, or large proportions of them, U.S. franchises may be too insulated from serious challenges. Without reinventing its own industrial wheel (necessitating costly R/D and innovation), Spain would become second-best in a game of only two players.

Triangulating Latin Relations

Triangulating Latin relations with China could be costly: China's interests have been such that, when bad turns to worse, China abandoning Spain could become far costlier and more probable than Spain abandoning China. Based on how it has

relentlessly exported inexpensively priced products on the basis of low wages (thus pauperizing even less developed countries by taking critical markets away from them, such as in textiles), or imposed import controls (on exports of competitive products from developed countries)—not to mention exchange rate manipulation—China can easily profit from using Spain as a platform into Latin America and the European Union, but once China establishes a foothold in either, it would not need a “bridge.” Further, direct Latin attempts to engage China (or other Asian countries) could leave Spain out in the lurch.

Balance sheet: Roads less traveled still

What, then, is the balance? One way to respond to this question is to interpret all seven catalysts through levels-of-policy-making-analysis to get a sense of where Spain is more or less rooted, and in which direction is its trajectory headed. Table 9 does this. At least four comments may be made from the four levels suggested in the discussions: national, European, Latin, and global.

Table 9: Spain’s externalization catalysts & levels-of-policy-making analysis

<i>Levels-of-policy-making-analysis/→ Externalization Catalysts:</i> ↓	<i>State:</i>	<i>European:</i>	<i>Latin:</i>	<i>Global:</i>
<i>1. Showcasing its Democratic Transition:</i>	X		X	
<i>2. Responding to Latin America’s apertura:</i>	X		X	
<i>3. Exporting its economic magic:</i>	X		X	
<i>4. Safeguarding against domestic recessions through external engagements:</i>	X		X	
<i>5. Leading the European Union into Latin America:</i>	X	X	X	
<i>6. Challenging</i>	X		X	X

<i>the United States:</i>				
7. <i>Triangulating Latin relations:</i>	X	X	X	X

First, though Spain’s interests have been more national and Latin than European and global, the European and global levels of analysis, as this study shows, have been more recent, reflect greater growth potential, and serve as springboards of those other interests: Without a European platform, the Latin interests would diminish in scope and value; and without a global connection today, Spain’s national and Latin interests could very easily be made irrelevant. It is this intermingled setting that gives Spain the weight it can demonstrate at each of the four levels—and which is not automatically available for other countries wishing to survive today’s cut-throat competitive climate. So far it has worked out well for Spain, but does not predict smooth future sailing given the increasingly tumultuous global political economy.

Secondly, such an enviable positioning reaffirms how Spain’s enormous and irreversible domestic transformation proved pivotal: Under Franco, Spain’s interests were nationalistic first, foremost, and as the final word. European and global interests or obligations were irrelevant, while those with Latin America were subordinated, carried more of a colonial imprint than reflective of the sovereignty claims of Latin countries, and served silently behind domestic and national interests. Whereas EU membership opened the external door, the end of the Cold War came as a blessing for Spain: It made Latin America Spain’s vital interest when European attention shifted to the eastern frontiers rather than to the Mediterranean. Ultimately, Spain’s Latin connections salvaged the country when globalizing forces unleashed such powerful waves, as China rocking the international market. Very, very few EU members can match this globally adventurous and diversified track-record of Spain, in part because they may have put too many of their policy-making eggs in the EU basket to be able to directly face those global forces. Spain’s *latinization* and globalization was not perfect and, least of all, a model for others to follow—but by spreading out its interests and preferences, Spain did what many EU members either could or would not do.

Third, even as the concentric circle of Spanish interests broadens, the European level remains indispensable: It became the *sine qua non* of Spain’s Latin and global interests, but to succeed in both arenas, Spain must ultimately offer strong EU (market) credentials. Here its record is not quite as robust as it should be: European Union membership might have been Spain’s external springboard, but to continue being relevant, it needs a lot more substance (trade and investment) in its own backyard. After all, it is here, more than elsewhere, where Spain can serve as a model.

Finally, when all of the above factors converge, a more profound feature begs attention: history matters. Spain can claim to be the eighth largest economy in the world today, but during the Franco years no one would have believed so. Hemingway's sun was either sleeping or sinking. How Spain adjusts its historical leftovers to fast-moving contemporary dynamics remains one of the country's policy-making and mood-building challenges today.

Conclusions

At least three concluding comments follow. First, Spain's pathway is not replicable: not every country had a similar history that bestows the potential of large market-access today as Spain did, with market-access becoming the defining element of future salience in our materialistic contemporary world. Similarly, though it carries the potential of the world's eighth largest economy (as too does Brazil), Spain is more likely than Brazil to slip since it may be over-emphasizing its former colonies than exploring new markets and investment opportunities (with Brazil emphasizing more market access and investments than historical attachments).

Second, Spain's linear externalization (from nationalism towards globalism by way of Europe and Latin America) is not as irreversible as its domestic transformation has been: Though its growth has been remarkable, Spain is not at the frontiers of innovation, nor is it competitive enough in global markets to stand alone; but because it easily ranks among the front-runners in two transitions—from a dictatorship to a democracy, and from a statist to a market economy—it carries ample future mileage potential. To go further, as any leader would be expected to, Spain would have to tap many other resources. This requires looking outside the box (if not the European Union, then Latin America; and if not the large Asian economies, then certainly other emerging ones).

Third, while these accomplishments give Spain an extra 25th EU anniversary glow, Spain may also be proof the European Union is not (and can not) be an end in itself: Regional-level intentions can be contained and their expected outcomes be altered by forces both exogenous (China's entry into the global market; business cycle movements from growth to recession, and vice versa) and endogenous (Germany's unification twisting and turning EU's pathway). Spain's EU history has been a history of how, by adjusting to those changes, EU membership becomes a subset of larger and more inevitable forces. The next 25 years could glow more for Spain if it directs its interests and resources against the more inevitable global forces. If it does, the sun might uniquely rise a third time. If it does not, another Franco-like interregnum could beckon. For one of the largest world economies with a prodigious history and potential to climb higher, that would be a pill too bitter for even a Franco to swallow.

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Closing

The Final Stretch: The Implementation of the Lisbon Treaty*

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Abstract

In the European Union (EU) circles of the Spanish government, the year 2010 will be remembered as a crucial milestone regarding the role of Spain. From January to June 2010, Spain held the Union presidency, as has been done through the rotating process since the inception of the EU's predecessor, the European Economic Community (EEC). Furthermore, on June 12 Spain celebrated the twenty-fifth anniversary of its adhesion (along with Portugal) to the European integration experiment, recalling its accession to the European Community (EC) on January 1, 1986 with the signing the treaty. While all of this was set to occur, however, the new reform treaty ('of Lisbon') was being planned as a substitute for the failed constitutional text that had been floated during the early years of the 2000s. Moreover, these spectacular events happened in the middle of one of the worst economic crises of the world, with considerable impact on the evolution of the EU and, most especially, Spain. This essay reviews the background, context and impact of particular novel aspects of the new treaty governing the EU, as well as several milestones in Spain's experience of the European process. The actions and events referred to constitute the closing chapter of the 25-year experience of Spain in the EU.

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I**Rescuing the EU Constitution¹****1. Spain at the Helm**

The year 2007 was considered to be decisive for the EU even for the coincidental reason that half a century earlier the EU took its second daring step and approved the Rome Treaty of March 1957. This decision complemented the initial European Coal and Steel Community (ECSC), officially born in 1951, by incorporating the European Economic Community (EEC) and the European Atomic Energy Community (EUROATOM).

More recently, the EU was considerably strengthened by two bold moves. First, during the negotiations of the Maastricht Treaty in 1992, the EU decided to adopt the euro as the common currency. The impasse of the constitutional process marked its presence five years after the effective adoption of the euro by the 300 million citizens in thirteen countries of the EU, as well as a by handful of mini-states that had previously used the currencies of EU member states. The euro has been a success in all basic monetary operations.²

Second, since the end of the Cold War in 1998, the EU proceeded to execute the most spectacular broadening in its history – nearly doubling in population and size. However, the need for institutional reform of an organization that was used to interacting through fifteen collegial member states had to be addressed. The EU proceeded to complete its legal framework with the approval of a ‘constitutional treaty.’ Unfortunately, the planned constitution was derailed halfway through the ratification process with the rejection by Dutch and French voters. With the project put on hold, alternative plans were considered. The EU was seen as a ship running into an iceberg, much like the Titanic. An alternative to the rescue plans was the preservation of the basic load of the ‘failed ship’ combined with a method of selecting most special aspects of the EU text.

Within the context presented by the shocking rejection of the EU constitutional treaty in 2005, Spain considered several options and scenarios; each implied risks and opportunities by rescuing of the spirit of the original text. More than anything else, Spain wanted to show the same loyal commitment it had demonstrated since 1986. Spain had long since ceased to walk alone in both Europe and the world. Since 1986, all sectors had embraced the trendsetting lecturing of philosopher José Ortega y Gasset: “Spain is the problem; Europe is the

¹ This part of the essay draws on the logic, content and scope from previous work (Roy 2008).

² For a review of the performance of the euro, see Lorca 2007 and 2009.

solution.” Development and democracy meant to be inserted in Europe. From all angles of analysis, the balance of this obsession has been positive.

As this volume demonstrates, the record of Spain’s membership in the European Union has been truly impressive. History shows that even during the second part of the Franco regime, the Spanish dictatorial leadership tried to cope with requirements that were politically impossible to meet. When Spain became a member of the EC, numerous experts and scholars were ready to strengthen the resources available in Spanish universities and publishing networks. Simultaneously, the best and the brightest of Spain’s governmental cadres joined the expanded institutions, taking on positions of responsibility in decision-making bodies (Viñas 2006; Granell 2002). Spain, in sum, “was not different,” as a redrafting of a popular tourism slogan crafted by the Franco regime said. It was a European country like any other that was returning to its natural home after a long exile. Against the background of successful EU Spanish presidencies, prominent Spaniards had chaired the EU institutions. When the process of drafting the constitutional treaty was announced, Spain embraced this mission, rather than regarding it as a standard duty.

Spain, in turn, received considerable benefits through regional policy funds, development aid and financing of infrastructure. Spain’s income rose from an index of 60% of the European median in 1986 to about 105% today, with some regions surpassing 125%. From being a country that was a net receiver of aid, Spain is today a net payer, with traditional funds vanishing, resulting in the considerable alarm of public works officers in the middle of the financial crisis that began in 2007.

Successive PSOE (Spanish Socialist Workers’ Party) governments from 1982 to 1996 distinguished themselves by building fruitful alliances with their influential European partners, especially the Franco-German duo. In 1996, when the Popular Party, led by José María Aznar, won the elections, Spain’s European commitment was nonetheless maintained – the country was early in the lead of the constitutional project. However, as a result of the events of 11 September, the government decided to change its loyalty towards a Euro-Atlantic alternative. Madrid elected to join the so-called “new Europe,” disdainful of the “old Europe,” following the terminology coined by the U.S. secretary of Defense, Donald Rumsfeld. The change of government in 2004 returned to the traditional priming of Europe, but by then the EU itself had changed in profile and attitude.³ When the PSOE came back to power in 2004, the government wanted to send a message of unconditional loyalty to – and efficient leadership in – European integration. First, the new government decided to be the initial member state to submit the ratification process of the constitutional treaty to a public referendum.

³ For a sample of analysis on the change of Spanish attitude from the policy of the Partido Popular to the performance of the PSOE when elected, see Roy 2005.

Of participating voters, 76.73% (42.3% of the actual electorate) said ‘yes’ to ratification, setting the pace for the remaining states to emulate.

However, Spain’s recent path through the EU labyrinth offers a perceptive oscillation. On one hand, it is important to note the enthusiasm with which the successive administrations, starting with Felipe González in 1982, approached the process of European integration and priming the supranational path. On the other hand, this pattern subtly contrasts with the fractious ambivalence expressed at times by the government of José María Aznar (1996-2004), which was more inclined towards an intergovernmental approach – especially during Aznar’s second term, from 2000 to 2004, when he was supported by an absolute majority (Pipes, Roy 2005). Due in part to his support for US president George W. Bush in Iraq, Aznar pushed the ‘New Europe’ towards a neo-Atlantism, damaging the deepening of the EU.

Nonetheless, the Spanish government, the academic community, and the media exerted impressive influence in making Spain a model of participation in the convention process. The government (and the representatives of the Popular Party, delegated by Madrid) actively participated in the elaboration of the text of the constitution.⁴ However, in the last stages of the proceedings of the intergovernmental conference (IGC) that took on the task of the convention, the government of Spain, led by Aznar, left the process frozen when it refused to accept the new double majority voting system that modified the line up that had been in effect since the Treaty of Nice.⁵ This decision retarded the process and produced further doubts in other electorates and governments, which were eager to obtain last-minute advantages from dubious power results.

The victory of the PSOE in the 2004 elections removed this obstacle.⁶ The new government diplomatically consented to a new modification of the double majority, opening the way for the ratification process that proceeded throughout much of 2005 and getting ready for completion at the end of 2006. This was viewed as one of the milestones of the new Spanish foreign policy (León 2004).

The Spanish government then dutifully contributed to the promotion of the project,⁷ and it was for this reason that, when the period of ratification was announced, Spain decided again to lead the pack. Interpreting the internal constitutional mandate with a sense of extreme dignity and importance, Madrid not only submitted the approved text to a national referendum in February 2005, but it also scheduled several similar polls, setting a precedent and an example for the rest of the member states. Despite a disappointing referendum turnout, an overwhelming majority of the participants voted ‘yes’ and Spain was on record as

⁴For selected books authored by Spanish protagonists: Borrel/Carnero/López Garrido 2003, López Garrido 2005, Méndez de Vigo 2005.

⁵For details, see Chari/ Benoit/Laver 2004.

⁶See Roy 2005.

⁷See Valcárcel 2005; Navarro 2005; *Política Exterior* 2005.

being ready to maintain its status of good European-ness.⁸ It was then that the shock came from France and the Netherlands.

In spite of some bad omens from experts (Closa 2004), polls, and surveys held in France and the Netherlands, the initial reaction to the results of the referendums was one of disbelief. Then doubt about the European process set in. When the initial trauma was overcome, the sentiment about the overall picture of the EU and its constitutional process was a resigned feeling that 'no one is perfect.' This was followed by a mission to pave the way towards a 'resurrection' solution, which was propelled by a counterattack strategy.

2. The Salvaging

Few sectors of Spanish society, government, political parties, media, and scholars remained absent from the debates on the constitutional process.⁹ This activity included viewpoints that were expressed through the production of key official documents by the Ministry of Foreign Affairs, a set of analytical papers generated by the Real Instituto Elcano, commentaries that appeared in policy-oriented journals such as *Política Exterior*, and a wealth of scholarly products in the form of books and journal articles.¹⁰

In September 2005, a congressional commission entrusted the Spanish Ministry of Foreign Affairs to draft a report (Secretaría de Estado 2006). It stressed that Spain had ratified the constitutional treaty twice, both in a public national referendum and through parliament. Therefore, Spain was obliged to maintain its position for the continuation of the agreement as expressed in the text. Spain and the other 17 countries (already a majority of the EU population) that had approved the text had the moral obligation to insist that the essence of the treaty be preserved. Hence, a limited implementation could not be accepted as sufficient. In any event, Spain was in a comfortable position. It had fulfilled its obligations and it had no interest in opening a negotiation in which it could lose. The burden of opening the treaty was on the countries that had rejected it or were dubious about it. In sum, the initiative taken in Madrid both set an example and sent a strong message of leadership.

Facing an array of alternate scenarios, the Spanish government wished to send a clear message that the option of proceeding towards the completion of the referendum process, while considering the text still alive and useful, was a valid card to be played. Consequently, in a repeat of the Spanish initiative two years earlier that led to the ratification process, the representatives of 18 European

⁸ For selected detailed analysis of this exercise, see Ruiz Jiménez/ Noya 2004; Ruiz Jiménez/Sanpedro 2005; Torreblanca / Sorroza 2005; Torreblanca 2005; Font 2005.

⁹ For additional detailed analysis, see Kurpas 2005; Torreblanca 2005a.

¹⁰ As samples of recent analytical works on the constitution, see Aldecoa 2003, 2006; Mangas 2005; Albertí Rovira and Molés 2004; Petschen 2005; Esteve/ Pi 2005; and Ruipérez 2000.

countries of the EU (with the moral support of two others) met in Madrid on 25 January 2007. These 20 member states had already approved the constitutional project (or had promised to do so, in the case of Portugal and Ireland). Only Spain and Luxembourg had ratified the complicated code in popular referendum; the rest had prudently bestowed their seal of approval through a parliamentary process (Torreblanca 2007).

The majority of the Europeanist and federally inclined population considered that the result, in the first place, was not fair. Second, it damaged the general welfare of the EU in a complex and uncertain world that needs the effective action of political blocs and economic conglomerates, equipped with impacting influence and political vision. A European Union halfway finished, with institutions designed for 12 members and now enlarged for 27, is not the way to go forward.

Faced with this situation, the Spanish government took the initiative and convoked the Madrid meeting in order to exchange ideas that would help the EU get out of the constitutional trap. The government of Rodríguez Zapatero took a similar risk after its entry to power in 2004, when it planned the early referendum to launch its Europeanist example. Spain delivered magnificently, with more than two thirds of the voters saying 'yes' to the text.

Many Spanish experts chose an optimistic attitude; some selected a realistic analysis, while others pressed for the strategy that would prove most advantageous for Spain.¹¹ One sector (see Aldecoa 2006) pointed out that Spanish opinion had evolved from a decisive backing for the constitutional project to considering the constitution as dead, then finally opting to resurrect it. The public had come to the conclusion that the problem resided in the political path taken, not in the constitutional details, and that the treaty was reinforced by democratic legitimacy provided by the convention. The key was to find a political solution for what is essentially a combination of European and national dilemmas. Other reports (see Rodríguez-Iglesias, Torreblanca 2006) considered the various scenarios and concluded there was a separation between the citizens and the elites, as well as a difficult consensus among the states that led to a freezing of the decision-making process, making future enlargements doubtful and cumbersome. Furthermore, the existing veto power made revision and ratification procedures doubtful, which earmarked the creation of a more efficient institutional framework as a mandatory task. A more decisive leadership role was called for.

While considering these needs and recommendations, experts and government officials contemplated a series of scenarios.¹² The option of isolating some of the most fundamental items of the constitution, as candidates in the for-

¹¹ The Real Instituto Elcano had earlier issued a study with a much wider scope on the general European policy of Spain (Powell 2005).

¹² Earlier, Closa 2005 outlined six options that could be detected as a base.

mation of an acceptable document for approval, was considerably attractive. Whatever the Spanish calculations were regarding the different scenarios, the reality was still that resistance to the approval of the constitutional treaty, if pushed as an alternative to save face, would make 'cherry picking' a difficult task.

Expanding on the Titanic metaphor mentioned earlier, an independent academic expert (Mangas 2007) offered a useful conceptual parallel between the constitutional proceedings and the process of salvaging ships and merchandise after accidents, particularly those that are at risk of sinking. The most feasible option was based on salvaging the ship, in its entirety – in other words, not only its 'contents' but also its 'container.' It should be composed of a fundamental "Framework Treaty" (abandoning the term 'constitution'), which should be an agreement emphasising synthesis, supplemented by a "General Treaty." This would be backed by the conviction that the 'hull' (the framework treaty) was in good condition, that the overall philosophy was still unique in its class, and that it would be beneficial to remove unusable items. The internal elements included those essential policies that enable the Union to work effectively, and these were clearly outlined in the general treaty (specifically in part III and in various sections of other parts).

On the eve of the fiftieth anniversary of the Treaty of Rome, the German presidency was mandated with the issuance of a declaration. It was to be a short address, easily understood by common citizens, but due to its background it risked being presented as a convoluted document that had encountered difficulties while stakeholders developed a consensus. Observers (see Torreblanca 2007; Granell 2007a) accurately pointed out that the EU had previously missed the opportunity to define itself both at the fiftieth anniversary of the Schuman Declaration and when the Treaty of the European Coal and Steel Community's half-century term expired in 2002.

3. The Final Stretch

Following the constitutional gathering in Madrid, processual difficulties became increasingly evident. The declaration was finally issued – however, it reflected a minimal consensus and the strategy developed by the presidency had limited success. Although the word 'constitution' was dropped from the text, it still read as having the intention of a documentary commitment to the spirit and purpose of the constitutional treaty. The time frame provided a temporal context for the 'road map,' which was supposed to be issued at the end of the German presidency in June of 2007. Sceptics evaluated this compromise simply as a postponement of the thorniest issues, such as those detected by the Polish government regarding the voting system. The same can be said about the diplomatic compromise to gloss over the European socio-economic 'model,' a source of conflict-

ing interpretations during the disastrous ratification process in France and the Netherlands.

In anticipation of this procedurally uncertain scenario, Spanish experts and government officials recommended taking a more aggressive position, sending warning messages, and waiting for a possibly unconvincing or very controversial declaration, or for a call for a subsequent IGC (with unknown results). The worst-case scenario could be a “rupture of the system or selective demolition of the process” (Torreblanca 2005b).

In the Spanish domestic context, two issues might, both in theory and practice, pose obstacles for the development of an effective strategy towards this goal and erode the future energy of the Spanish government. One is the potential lack of consensus, fuelled by the two main political parties, on the nature of the European mission. Considering the continuous harassment by the Popular Party against the PSOE, the temptation to use the EU stalemate to attack the latter and to show a lack of support remains a possibility. This confrontation would then be staged within the context of the elections to be held before March 2008 (a limit according to the electoral law). However, the benefits to the Popular Party of executing such a risky policy were considered negligible in comparison with the potential to develop a minimal level of support.

The second source of danger was reflected by the pressure of a new wave of Euskadi Ta Askatasuna (ETA), a Basque terrorist group, which derailed an announced truce with the bombing of the Madrid airport parking lot. Although the attention given by the Spanish government to this problem is paramount, expert opinions indicate that it can still be achieved with a strong commitment to the European project.

In terms of the constitutional process and its possible outcomes, what did the above alternatives represented for Spain? Both sets of scenarios (that is, the catastrophic as well as the options for action) were favorable for Spain. The country did not have anything to lose by applying pressure and insisting on the continuation of a positive process that called attention to the spirit of the constitutional path and its most necessary ‘container’ (the ‘ship’). By abandoning the strategy and tactics it had followed until then, Spain would receive either a less favorable position in the future of the EU or be labelled as a supporter of a potentially dying dream. While still seeking to maintain a strong leadership position, in the event of a catastrophe the Spanish government and its collaborators could simply point to the fact that they did their best.

For the aforementioned reasons, the Spanish government maintained a solid commitment chiefly to the salvaging of the letter and the spirit of the constitutional treaty. A basic consensus, developed at the end of the German presidency, showed that a strong majority of member states favoured supporting a script presented by Chancellor Angela Merkel regarding the complete abandonment of the constitutional path. The choice then was to approve the skeleton of a reform treaty. Madrid sent clear signals that there were some fundamental aspects from

the spirit of the constitutional treaty that should be respected. It then acted as a loyal partner in supporting the German initiative and leadership, which was praised by Spanish commentators and then forming a practical coalition with the new French president in convincing the hardliners (Poland and the United Kingdom) that a compromise was in order.

A majority of experts expressed general satisfaction and stressed the positive dimensions of the solution based on the fact that it included most of the fundamental institutional reforms envisioned in the defunct constitutional text (Martín and Torreblanca 2007; Mangas 2007). However, some observers and media editorials pointed out areas of concern. A strong minority expressed displeasure for the path taken by the Union, casting doubts over its prospective future regarding the limitations of the supranational aim and the perceived return to the intergovernmental logic. Overall, government and analytical sources targeted the negative role of the Polish government in resisting a deal over the final text, expressing fears on the impact of drafting of the reform treaty (of Lisbon) and its ratification process in 2008, on time for its implementation in 2009.

II

The Implementation of the Treaty

1. Old and New Challenges for the EU and Spain

The implementation of the Lisbon treaty represented the dawn of a new era of EU history and had a triple effect on Spain. First, implementation coincided with the height of the economic crisis, which has affected many corners of the world financial network and especially its epicenter, the cradle of democracy, Greece. Second, Lisbon was set to be enacted during the decisive moments of the beginning of the rotation presidency of the European Union, although the system was modified with the founding of the new semi-permanent position of president of the European Council. Third, near the close of its term Spain had begun commemorating the twenty-fifth anniversary of its signing of the accession process, on June 12, 1985. However, while this appeared to simply be a pleasant celebration to some casual observers and specialized scholars a few years earlier, it actually had a notable impact on the time frame of the subsequent treaty proceedings.¹³

Spain had just been invited by the French president, Nicolas Sarkozy, to share his country's permanent seat in the G-20 summit, in recognition of Spain's expanded global role. Spain has been ranked as the eighth largest world donor of development aid (the leader in key regions like Latin America), backed by the

¹³For an accurate analysis, see Torreblanca 2010a.

eighth largest global economy in total volume. In 2009, Spain still enjoyed the tenth position in the Anholt-GfK Roper Nation Brands Index. In this context, Spain needed to confront a series of challenges.

In a strictly economic sense, Spain was immersed in its most grave financial crisis in recent history. Its economy suffered the consequences of the worsening international financial system head on, and the explosion of the building bubble revealed itself as the beachhead of the Spanish crisis.¹⁴ Moreover, Spain arrived at the quarter century of its EU membership with some worrisome socio-economic indicators that have clouded its previous enjoyable image. Its budgetary deficit has grown to over 11%. The official unemployment rate has reached 20%, double the European average. Alarmist predictions call for a 30% unemployment for 2012. While some years ago the growth rate was over 3%, in 2008-2009 it was flatly negative. Plans to rectify these conditions were far from implementation in the short term. The worst problem seemed to be that the total debt volume (when adding government and private figures) was estimated at 400% of the GDP.

Spain faced challenges at the same time that there was a notable divorce of its political sectors. While the social-democrat government of the PSOE had been widely judged in the general public as incapable of solving the current problems, the conservative congressional opposition opted for a strategy of frontal harassment devoid of the spirit of cooperation. From out of Spain, numerous voices (prudently coming from governments and in a striding fashion from the media) attributed the absence of remedies to the indecision of the PSOE government of José Luis Rodríguez Zapatero. The sudden (but expected) decision of implementing drastic economic measures and budget cuts in mid-May 2010 partially muffled the demands.

Just before these major cuts (which, according to high financial sources, saved Spain from defaulting), international media polemics adorned themselves with special features, including the direct intervention of key members of the Spanish government, when answering critics of the Anglo-American press. Foreign journalists recalled that Zapatero had captured power as a result of the disastrous response of the government of José María Aznar to the grave terrorist attack of 11 March 2004, which was labeled as the Spanish equivalent of the US' 11 September 2001. Re-elected in 2008, Zapatero appeared to be overwhelmed by the confluence and magnitude of problems derived from the crisis, while maintaining a cold attitude and delaying major economic decisions.

In spite of all this, the fact remains that Spain is still a country with impressive cultural, geographical and social resources that together should balance the weight of purely (and hopefully transitory) economic arguments. Spain is still the third most sought tourist destination in the world (only outranked by the United States and France). Barcelona and Madrid are ranked as fifth and eleventh

¹⁴ See Lorca 2009.

in the European cities with brighter futures; Catalonia is eleventh in the list of regions. However, in mid-May 2010, the government, under the shadow of Greece on the road to default, caved to pressure from the EU and the United States. Zapatero decreed the first important cut to the government budget in democratic times, with the consequent reduction of many emblematic welfare state services (pensions, family subsidies) and the threat of impacting others (free medical care). The result of all this deterioration is that the foreign image of Spain has been seriously damaged. In certain countries, Spain has ceased to be considered as a 'serious' partner.

Pessimistic leaders and cynic observers of the European Union's evolution could have easily predicted the (provisional?) derailment of the European constitutional process. When the French and the Dutch electorates rejected the new treaty in 2005 (branded as a constitution) to reform the institutional framework of the Union, opponents of the project certified the death of that new bold step. The 'stealth and action' methodology that Schuman and Monnet plotted so well in 1950 had failed. Commentators since then have warned that with the 2005 rejection, Europe lost confidence in itself and its future, which was exacerbated by the worsening of the financial crisis that exploded in 2008 (Esparza-Ruiz 2009). Federalists and common-sense leaders tenaciously went back to the drawing board, facing a period of reflection. Germany felt the pressure during its presidency in the first part of 2007 and reacted to the responsibility. The relay baton was then passed to the Portuguese presidency for the rest of the year.

The governments of the member states and constitutional experts then rolled up their sleeves and rushed to salvage the precious load, which was still stored in the bowels of a sinking 'Titanic' (Roy 2007 and 2008; Mangas 2007). Drafters produced a new document that was, in essence, a smaller clone of the constitution. It was a shorter text, but not so much to appease the many process observers (Granell 2007b). On 13 December 2007, the European Council signed the new Treaty of Reform, justly re-baptised as the Treaty of Lisbon for the site of its official birth. As in other stages of European history, scholarly production was set in motion even before the legal birth of the treaty (Bertocini/Chopin 2007; Hynková-Dvoranova 2008; Roy and Domínguez 2009; Piris 2010). Media, governments and think-tanks all felt that some degree of summarizing the basic aspects of the treaty was needed for the common citizen. However, while EU documents can be amended, each treaty step needs to be ratified by all of the states. Sceptics were lurking behind the light fog that rarely disturbs Lisbon's perennial blue skies. Then the Irish electorate said 'no' to the Lisbon treaty on 12 June 2008, just at the end of the Slovenian presidency.

This 'accident' was nothing new in the recent history of the EU. In fact, it happened in other occasions with the same actors. The Irish electorate is a notorious re-incident. It earlier rejected the Maastricht Treaty, which needed a second ratification referendum. This seemed to be the alternative – perhaps the last – to avoid the burial of the Treaty of Reform.

2. Lisbon, the Spanish presidency and the new EU

As a paradoxical and cruel reward for leading the process of constitutional ratification, the dream shattered in front of the Spanish government's disbelieving eyes when the Dutch and French electorates rejected the text in referendums. A decade after the beginning of the constitutional treaty design process, the faltering project was resurrected through its substitute, the Treaty of Lisbon.¹⁵ But the whole scene seemed to have changed again – and badly, according to numerous analysts. Other commentators said they did not believe in the eventual dissolution of the European project or in the abandonment of the euro because of its problems. They recommended instead the rescue of the EU foundational mission.¹⁶ In any case, the historical register shows that Spain was loyal to the reinforcing of the enterprise of integration (Roy 2007). Spain fulfilled Ortega's discourse in reverse: "Europe is the problem; Spain is the solution."

The first steps taken by the reformed institutions during the first quarter of 2010 did not seem to be very impressive. The governments and the EU Council, under the pressure of the parliament, insisted on having a say regarding the functioning of the External Service, which was still in its drafting stages and subject to turf battles between governments and the commission (Fernández Sola 2009). Until the end of 2009, under the command of HR Javier Solana, the recreation of the new post of High Representative did not seem to be effective under the lead of Baroness Catherine Ashton, former EU Commissioner of Trade, doubling as one of the vice presidents of the commission. For Spanish interests, the creation of the innovative position of a more permanent presidency of the European Council (for a once-renewable period of two and a half years) muffled slightly what was sold by the Madrid government as an effective Spanish presidency. This expectation was logical, especially given that preparations were implemented during the previous year, 2009, when the passing of the second Irish referendum was not yet known. The fact that the EU Commission was not named nor set to work until mid-March also allowed Spain to execute certain missions in preparation.

The protocol theatrics of press conferences involved business as usual as well as some novel aspects. On the one hand, individual press conferences were simply presided over by a national figure that dealt with the media on a variety of domestic and EU-related subjects. Other EU officers, Spain's leaders, and representatives of the institutions of the EU and the units dealing with Latin America and the Caribbean were absent. However, the top leadership reappeared in full

¹⁵ For a review of the evolution of this treaty just before its ratification, see Roy and Domínguez 2009.

¹⁶ Grunstein 2010.

regalia when global issues were discussed and declarations on the progress of sub-regional negotiations were announced.

In a press conference to make announcements on MERCOSUR, the podium was composed of President Cristina Fernández of Argentina (term president of the sub-bloc), Herman Van Rompuy (as president of the European Council), José Manuel Barroso (as president of the commission) and Spain's prime minister, Rodríguez Zapatero (as semester rotating president of the EU Council, doubling as host of the conclave). Absent of this impressive line up was EU HR Catherine Ashton, as well as the president of the European Parliament – the latter having strengthened its power with the implementation of the Lisbon treaty.

Cynical observers would point to Henry Kissinger's (unconfirmed) enquiry on the 'telephone number of Europe' and say that the correct answer has become even more complicated than when the EU created the position of high representative for the Common Foreign and Security Policy, which was held by Javier Solana until the end of 2009, when the new machinery of the Lisbon treaty was set in motion. Kissinger can now call five telephones: a joke emanating from Brussels depicted a fictitious phone call made by a non-EU leader about an important issue of foreign affairs. A recording then said: "If you want to know the assessment of the President of the European Council, press 1. If you want to speak to the HR, press 2. If you want to know [...] the attitude of the President of the Commission, reflecting issues of shared sovereignty, press 3."

During the rest of 2010, universities and think-tanks engaged in the usual round of conferences, symposia and other meetings to analyse the results of the Spanish presidency under the new Lisbon system. Insiders in the Brussels institutions and independent observers agreed that the new EU structure and decision-making mechanisms, especially those overseeing the exterior face of the organisation, have been very fortunate to have had Spain holding the rotating presidency in a sensitive time of shifting roles. A consensual agreement was offered by Madrid: Van Rompuy was going to be in charge of the exterior representation of the EU, as well as piloting the decision-making structures of the Union. Spain would still coordinate and preside over the General Affairs Council (as detached from the old General Affairs and Foreign Relations cluster), keep the responsibility of coordination of the rest of the EU councils, and host the series of summits and ministerial gatherings.

Observers with a degree of witty humor wondered what the result would have been if the presidency had been held by a European heavyweight, such as France, Germany or the UK, or, conversely, a small country, instead of Spain, a median power. The powerful would not resist the temptation of making a show of the hinge presidency. The weak could be tempted to enjoy the last of the lime-light exposure given by the rotating honor and responsibility. Spain – despite being burdened by the economic crisis, which was worsened by political internal pressures – performed in an impeccable way from the viewpoint of protocol and available resources. Only history will be able to offer a complete analysis of this

first peculiar EU presidency (a sort of guinea pig experiment) against the four previous experiences (Granel 2010; Fernández Sola and Blanco 2010). International media based in Brussels pressed Spain to make a show in executing the presidency. The script of the Spanish semester was expected to be offered as a learning mechanism for future implementation. The process became even more complex with the trio composed of the current, the past and the next presidency (Closa 2010).

However, the actual performance of the new framework institutions will be subject to the personal savvy and behavior of the holders of each position. The relationship between the president of the European Council and the prime minister of the country holding the rotating presidency could learn a lot from the impeccable cooperation shown by Javier Solana and Chris Patten, the latter a powerful UK commissioner supervising the external operations of the commission. The same can be said about the sharing of foreign representation between HR Ashton and Van Rompuy. Regardless of the role that the personalities of representatives will play in the future functioning of the EU, the fact is that there will continue to be changes in the future regarding those two posts and the establishment of the External Service.

Some attention should be given to the shifting of responsibilities and power among the different institutional pieces of the EU, as there will be considerable impact on Spain. Who lost? Who appeared at the time to be winning? Recent history shows that when the Parliament managed to force the resignation of the EU Jacques Santer Commission, the legislative body claimed an early victory, but the real winner was the Council. Its overwhelming control has not only been maintained, but it has grown with the recent changes that culminated in the Treaty of Lisbon. While the Parliament can justly claim that its powers have increased with the reinforcement of the traditional co-decision procedure, a new entity has been elevated to the category of full institution – the European Council. And the council is headed by the semi-permanent president, who can stay at the helm for five years. The loser of this institutional surgery has been the commission, although it is true that the right of legislative initiation has been kept by the commissioners, each one conserving special turf prerogatives backed by collegial power. It is too early to know how the new role of the high representative will function practically, considering her dual loyalty and control. While the HR continues to be appointed by the council, a basically intergovernmental body, it depends on Catherine Ashton's actions as to how she can act as part of the commission, which is by definition a supranational entity.

3. A Learning Experience

How could this enigma and uncertainty impact Spain and its successors? For a member state such as Spain, which is by record considered a ‘federal’ shareholder and a solid backer of expansion towards a more supranational EU, the appearance of a more inter-governmental Europe is not particularly good news. In a framework of re-nationalizing policies and power struggles among leaders in Paris and Berlin, plus the ever-present brake applied by London, Madrid cannot do too much to build alliances in a complex, expanded EU.

The new system and external representation did not seem to impress certain world powers and important regional networks. The first ‘report card’ came from Washington. Early in the semester of the Spanish presidency, the White House announced that the expected high level EU-US summit that regularly takes place in alternating cities across the Atlantic would not have the participation of US president Barack Obama. The official explanation was that his international travel agenda was too full and he needed to concentrate on domestic issues. Off-the-record remarks made by US officials, which were confirmed by think-tank observers and well-informed media, stated that the real reason was his negative experience when he attended the 2009 gathering in Prague at the height of the Czech political crisis (the country was holding the EU presidency). Obama did not seem to know exactly who was in charge on the EU side.

This decision was a major disappointment for the Spanish government because President Zapatero was eager to round up the series of fast meetings with diplomatic visits to the White House and his US counterpart. Since its electoral triumph in 2004, the Spanish socialist administration had lost the attention of the American presidency, as was bestowed to Zapatero’s predecessor, José María Aznar, for his support of the Iraq War effort. As soon as he was elected, Zapatero bluntly withdrew the small number of troops that Aznar had sent. Only when Bush left the office could the Spanish government engage in rebuilding the rather good relations between the two countries since the reestablishment of Spanish democracy in 1976. Although Obama’s absence was interpreted as a dual rebuff to Spain and the EU, the Spanish government hoped to salvage the high level meeting agenda by holding two other summits in Spain. Both were traditionally very important regions – Latin America and the Mediterranean.

The EU-Latin America/Caribbean biannual conclave, held in Europe and Latin America on alternate occasions since 1999, was supposed to offer space for progress in the negotiations between Brussels and the different Latin American subregional networks.¹⁷ The most positive result was the closing of an association deal with Central America. However, the zone did not show any proof of

¹⁷ For a current state of regional integration in Latin America, see the content of Roy and Domínguez 2010).

deepening its integration, which was a standard precondition from Brussels. Second, individual free trade agreements (which were taboo until a few years earlier) were signed with Perú and Colombia; this was a substitute for the halted negotiations with the Andean Community, which was in a state of convulsion after the exit of Venezuela and the antagonism of Bolivia. Third, confirmation of a path towards an agreement with the ever-shaky group of MERCOSUR was announced, but details seemed to be clouded.

But the most significant disappointment was the postponement (and possibly cancellation?) of the summit between the EU states and their Mediterranean neighbours scheduled for June 2010. That was meant to showcase the consolidation of plans for the 'Union for the Mediterranean' (UfM), an ambitious entity originally proposed by French president Nicolas Sarkozy as a successor to the Barcelona Process set in place in 1995.¹⁸ The General Secretariat of the new network was already in place in Barcelona, due to the efforts of successive Spanish governments giving attention to this strategic area. It is important to state that the UfM cancellation (and Obama's no-show plans) could not be attributed to the faulty implementation of the Lisbon treaty's new mechanisms by the Spanish government. Spain was not the culprit, but the sorry victim.

All the debate on the institutional impact of the Lisbon treaty was devoured by the gravity of the economic crisis. Spain and the EU collided with an iceberg even larger than the one represented by the negative referendums. The Spanish government seemed to be working solely on one issue – what to do with the warnings coming from Brussels and Washington. The office of the prime minister ceased to give priority to important foreign affairs issues, such as the cancellations of summits and the usual confrontations between Israel and its neighbors.

What would be the impact of the new External Service on the ranks of Spanish diplomacy? It is too early to say and distribution plans have been subject to arguments between the parliament, the council and the commission. Figures mention that the total number of new positions will be 5,000 and the number of applications is predicted to be high. One third of the positions would come from the member states and another third from the commission. The number of Spanish diplomats that would receive appointments, however, would only be 100. Considering that the new position costs will be covered by the EU, there could be further yearly rounds of concourse in Madrid. However, inside estimates revealed that a number of the approximately 1,000 Spanish diplomats are not assigned to effective Foreign Service positions in the field and wait in Madrid for the proper occasion. There are no plans to consider the incorporation of members of the trade ranks that are attached to embassies but maintaining their own status (Fernández Sola 2009). Some post-Spanish presidency period measures were taken to redress the perceived lack of ambition and means in Spain's diplomatic front. For

¹⁸ See Boening 2009.

example, the Ministry of Foreign Affairs abandoned the possible disestablishment of the State Secretariat for European Union Affairs (the level of vice minister) as part of drastic budget cuts. A second strategy was developed to capture important future EU ambassadorial posts in key capitals considered to be sensitive for Spanish interests.

Despite a possibly negative evaluation on the role and influence of Spain in the EU network as a result of the implementation of the Lisbon treaty, one should consider other reasons beyond the weakening of Spanish weight in certain areas. Furthermore, this problem cannot be chiefly attributed to the effects of the economic crisis. A more durable explanation is the inexorable reconfiguration of the EU itself as a consequence of the huge enlargement that took place in 2004 and 2007. With less perceived interest in the Latin American continent (the absence of key Latin American leaders in the Madrid EU-LA/Caribbean summit was a notorious signal); the next geographical region of interest to Spain – the Mediterranean – is nonetheless strained by both confrontations with its southern neighbors and double talk performed by some unavoidable European players such as France.

III

Conclusion

Once the semester was over and summer vacation was on the horizon, the Belgian presidency succeeded Spain's, forming a triad with the following presiding member state, Hungary. It then became more feasible to construct an evaluation of the experience and the implementation of some of the novelties of the Lisbon treaty. The report card on Spain's performance varied according to the source but, roughly distributed, the assessment included negative comments, positive, self-bestowed marks, and middle-of-the-way, more realistic analyses.

In response to Spanish opposition interests, some media networks used the occasion to blast the overall performance of the government. Reports filtered the opinion of the leadership of the Partido Popular and blamed the office of president Zapatero not only for its shortcomings at the helm of the EU, but also for the effects of the grave economic crisis. This was further evidence of the lack of national consensus regarding Spain's role in the EU. On the other side, government officials rushed to positively justify their performance. Briefings and media presentations stressed the fact that the main work in EU affairs is not done under the limelight of summits but through daily routines behind the scenes. Among the positive accomplishments, they included the fundamental aspects of the Lisbon treaty, the implementation of the 2020 Economic Strategy, and the fight against the financial crisis through macroeconomic measures such as stress tests.

Other commentators produced more balanced and objective reports in which they offered points of criticism for the lack of timely decisions on tackling the economic crisis, and for not delivering spectacular results in the foreign affairs area. At the same time, they recognized that the financial scene diminished the number of alternatives in which to exercise an effective leading role. It was a fact that certain priorities in the program of the presidency were not successful, but the balance largely confirmed the innate limitations of the EU system of government based on a give-and-take approach.

Still other media reports dealt with the effects from the ending of EU funds (and their attached benefits) produced by the ascent of Spain in economic status, the impact of the country's damaged image as a victim of the economic crisis, and the internal depressing self-image as a result of the above factors' confluence. Overall, most observers expressed a kind of nostalgia for the more successful presidencies of 1989 and 1995 under the socialist government. As mentioned above, the 2002 presidency happened during the serious confrontation over the war in Iraq.

Nonetheless, experts will easily agree that the institutional practical exercise will be a topic of research to follow in the future. It will, moreover, be interesting because, as mentioned above, the semester term was followed by the commemoration of the twenty-five years of Spain's and Portugal's membership in the EU.

However, a major factor that was not considered when the EU decided to initially proceed down the constitutional path – both in its failed attempt, then through the substitute method of the Lisbon treaty – was the looming economic crisis that affected all corners of the EU structure and each one of its member states. Any evaluation of the experience of Spain in the new Lisbon system will have to take into account the resolution of the financial disaster, because, among other reasons, it certainly occupied the attention of government officials, making the institutional process secondary. Observers should also be advised to pay close attention to the internal evolution of politics in Spain, both in the case of the exhaustion of the congressional term (until March 2012) and in the event of a call for new elections and potentially drastic changes in the top government structure.

No matter what the result is regarding the evolution of these uncertainties, it was expected that Spain will remain a loyal member of the EU, with the same Europeanist zeal as in the past. It can also be predicted that the economic crisis will serve to strengthen the deep implication in the reformatted institutional network. As a median power, Spain could be one of the winners in the implementation of plans for the External Service of the EU, both in the case of closing some unneeded embassies and in the strengthening of European representation in places where Spain's diplomats can be more useful. Rephrasing once more the statement by Ortega y Gasset, neither Spain nor Europe are the problem, but both are the solution in the global crisis.

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