

# BULLETIN

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## Parliamentary Elections in Spain

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*The centre-right People's Party (PP) will be the most likely winner in the early general elections to be held in Spain on 20 November 2011. It may obtain a governing majority, which could facilitate implementing further measures aimed at restoring confidence in the national economy, stimulating growth and introducing effective job-creation policies. The new government will, however, have to deal with persistent uncertainty about economic recovery and an aggravated situation in the eurozone countries. Also important, the PP victory may bring a chance to build an effective Polish-Spanish partnership that could champion efforts to promote further integration of the EU.*

According to the latest polls, the largest opposition group, the People's Party (Partido Popular), led by Mariano Rajoy Brey, could win more than 190 seats in the 350-member Congress of Deputies in general elections scheduled for 20 November. With about 110 to 120 possible deputies, the centre-left Spanish Socialist Worker's Party (Partido Socialista Obrero Español, or PSOE) will lose the power it held since 2004. Among smaller political parties, which mainly represent autonomous regions, Catalan nationalists from the centre-right Convergence and Union (Convergència i Unió) probably will obtain 14 representatives, and the coalition United Left-Greens (Izquierda Únida-Los Verdes) could get 10 seats. Other parties may obtain between one and five seats each.

**Political and Economic Contexts.** PSOE and PP have dominated the Spanish political scene since 1982. The former triumphed in all elections in the last three decades except those in 1996 and 2000 when PP came out victorious under José María Aznar's leadership. However, in 2004 and 2008, PSOE led by José Luis Rodríguez Zapatero only won with small margins and with no absolute majorities. Shortly after the global financial crisis began in the second half of 2008, the governing party began to lose public support. Between the beginning of 2009 and November 2011, its support fell from 40% to 30%. At the same time, PP have slowly reached 46% public backing compared to 40% two years before. The negative effects of the crisis on the Spanish economy as well as belated and inadequate government anti-crisis measures were the main causes of the shift in the polls.

Spain suffered recession in 2009 and 2010 (-3.1% and -0.1% GDP growth, respectively). The unemployment rate rapidly climbed from 8.3% in 2007 to almost 21.5% (43% among youngsters) in the 3<sup>rd</sup> quarter of 2011—the highest level in the EU and OECD countries. This meant that 2.2 million people had lost their jobs. Growing public discontent from subsequent austerity measures, which have been introduced by the government since May 2010 (under the continuous pressure of European partners), accelerated the loss of PSOE's popularity. Difficulties in forming *ad hoc* coalitions in the parliament to implement subsequent anti-crisis laws, mounting anxiety inside PSOE after its defeat in the regional elections on 22 May 2011, and continuous risk of a sovereign debt default forced Rodríguez Zapatero to announce early elections five months before the normal date.

Alfredo Pérez Rubalcaba was designated on 9 July by PSOE to be its candidate in the November elections for the head of government, but was unable to narrow the widening distance with PP. His strategy of trying to engage the main rival in debate on such topics as spending cuts, education, health, equality, or ETA failed. Mariano Rajoy, however, concentrated on using the unemployment and economic crisis as the core arguments, consequently avoiding other issues. With the slow but steady growth of support for PP, he was careful in presenting concrete proposals on the economic and social policies of his potential government.

Significantly, the so-called 15-M or Indignants social movement which emerged in Spain in May 2011 and gained strong public and media resonance (nationally and abroad) when blaming financial institutions and politicians for the crisis, didn't succeeded in convincing voters to break the dominance of the two largest parties. It is also hard to prove if quite significant support for smaller parties in the latest polls were the result of 15-M postulates or simply the choice of voters disappointed with PSOE who generally wouldn't consider voting PP.

**Main Challenges for the New Government.** The top task after the elections will be the continuity of reforms aimed at economic recovery, and first the reduction of unemployment. With an image of a pro-market party open to reforms and with a proven record of a successful economic recovery policy during Aznar's tenure, a new PP government may appear more trustworthy for financial markets and international partners. However, it will be exposed to persistent uncertainty about the economic scenarios for Europe and rather meagre prospects for the rapid recovery of the Spanish economy in the next few years. The recent changes of governments in Greece and Italy brought the highest borrowing costs in Spain since 1997. Unless economic indicators improve and the unemployment rate falls, the new government will be exposed to continuous discontent and the rising expectations of the public.

The preponderance of economic issues will also affect the European agenda of the new government. Close cooperation with EU partners, mainly in the eurozone will be crucial in seeking effective anti-crisis measures. Mariano Rajoy has repeatedly opposed the idea of a two-speed European Union, considering the need for further integration and better coordination on financial matters. An important task will be negotiations on the next EU multi-annual financial framework (MFF) for 2014–2020, especially because Spain will become a net contributor to the common budget. However, the PP opposes a reduction in its level. It also will struggle to obtain transitory periods for regions that will pass from convergence to competitiveness objectives and for more funds directed at R&D and innovation, as well as education and infrastructure. It has declared its intent to discuss reforms of EU agricultural and fishery policies.

On a more general level, PP would like to strengthen trade and investment relations with various partners as a way of stimulating economic growth. Since it considers the Rodríguez Zapatero's government to have led to the marginalization of Spain in international relations, the PP wants to enhance cooperation with the main European member states, restore closer relations with the U.S. and enhance cooperation with traditional partners in North Africa and Latin America.

**Implications for Poland.** In the PP declarations, Poland is mentioned as an important European country that requires "special attention" because of the amount of EU funds it has been receiving and influence gained in the organization. Accordingly, Rajoy's potential government may become an important partner for the recently re-elected government in Poland. Both have in their favour a similar centre-right lean, strong support for European integration and common interests in the EU. The likely victory of PP offers a chance to rebuild and strengthen the Polish–Spanish special partnership conceptualized during José María Aznar's tenure, but with less relevance during Rodríguez Zapatero's government. Both Poland and Spain share perfect credentials to promote European integration since the engagement to the process has been an integral part of their successful transitions to democracy.

This partnership could be materialized by intensification of bilateral dialogue on the ministerial and expert levels, and by enhancing the formula of annually-held consultations led by the prime ministers. The next such meeting is planned for the beginning of 2012 and may give an opportunity to seek a new framework for strategic cooperation. The common agenda may include dialogue about promoting democracy in such countries as Belarus and Cuba, advocating for stronger economic coordination in the EU or seeking improvements in both the Eastern and Southern dimensions of the European Neighbourhood Policy. Negotiations about the MFF will surely see both governments competing for EU funds. However, they can cooperate on the issue of the adequate size of the EU budget and a fair redistribution of resources, the future shape of agricultural policy and an improved cohesion policy. On the bilateral level, both countries could seek more incentives for developing trade and investment cooperation as one of the ways to stimulate economic growth. Possibly, a Polish-Spanish partnership could complement the leadership of France and Germany as well as balance the calls of such countries as the UK for making the EU "a flexible network" rather than a more-integrated bloc.