

The People's Party, running favourite in the general elections in Spain from 20th November next

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ANALYSIS
1 month before
the poll

On 29th July Prime Minister Jose Luis Rodriguez Zapatero (Socialist Workers' Party, PSOE) indicated that the early general elections would take place in Spain on 20th November next. This election is the seventh to take place early since the country's return to democracy in 1976. On the eve of this announcement Economy Minister Elena Salgado (PSOE) indicated that the country's budgetary deficit had decreased by 19% in comparison with the previous year, thereby confirming the government's progress towards bringing it down to 6% of the GDP (the deficit lay at 9.2% in 2010). Elena Salgado also stressed that unemployment that is affecting 20.8% of the working population (46.1% of the 16-24 year olds and 34% of the under 30's) against 8% in 2007, had also decreased by 0.3 points.

José Luis Rodriguez Zapatero had said that he wanted to remain in office until March 2012, the date initially set for the next elections, in the hope of reviving the country's economy. On 2nd April 2011 he said he would not be standing for a third term in office, hoping that this would provide the PSOE with a little more room to manoeuvre. But the head of government finally had no other choice but to give into the pressure of the majority of the members of his party.

José Luis Rodriguez Zapatero says that he will leave his successor with "a country that is on the way to economic consolidation". "In a situation that is still difficult, our economy is showing positive signs. We have laid the base for confidence," he declared. The early election was demanded by the People's Party (PP), the main opposition party. "A new government will have the people's confidence, which will already be an improvement," indicated PP leader, Mariano Rajoy.

On 22nd May the PP easily won the regional and local elections, inflicting a severe electoral defeat on the PSOE. The "small" parties like the Union for Progress and Democracy (UPyD), the Basque regionalists of the Bildu-Eusko Alkartasuna ('Together' in Basque, Bildu EA) or the Catalans (Convergence and Union, CiU) also gained ground in these elections.

On a local level, the PP won, with 37.53% of the vote and 26,499 town councillors' seats against 27.79% for the PSOE and 21,767 seats, in other terms, the lowest score in its history since Spain's return to democracy. The PSOE

lost 8 of the 10 towns with over 100,000 inhabitants that it held before the election including St-James' Way, Albacete, Leon, Elche, Jaen, Algesiras, A Coruna, Palma de Mallorca and Las Palmas de Gran Canaria. Conversely, the PP, which had 22 towns before 22nd May, won 11, including the 2nd and 4th biggest in the country, Barcelona and Seville. More than six Spanish in ten (63.97%) turned out to vote in the local election.

In the regional elections the PP emerged victorious in 11 of the 13 regions that voted. In the Asturias, the Asturias Forum (FAC), created after the scission of the PP won, and in Navarre, the Navarre People's Union (UPN), a rightwing regionalist party, came out ahead. Turnout totalled 69.8%.

"Early elections are good because they will put an end to uncertainty and restore confidence a little" indicated Fernando Fernandez of the Higher Business School of Barcelona. The new government, with renewed legitimacy after the vote, should be able to take the necessary steps to revive the economy.

20th November is the day that Caudillo Francisco Franco, the Spanish leader, from 1939 to 1975, died. Those nostalgic of Franco's era rally each year on this date at Opera Square in Madrid to sing Francoist songs.

On 26th September Prime Minister José Luis Rodriguez Zapatero dissolved the Cortes generales (Parliament). The electoral campaign will be taking place from 4th to 18th November and the new Parliament will convene on 13th December next.

The Spanish Political System

Spanish Parliament (Cortes Generales) comprises two Houses: the Senate and the Congress of Deputies. 300-400 MPs are elected every 4 years by party-list proportional representation (the Hondt system with closed and blocked lists) within 48 of the 50 of the Spanish provinces (except for Ceuta and Melilla). Each of them chooses at least two deputies (one only for Ceuta and Melilla), the rest being spread between the provinces depending on the size of the population. A list has to win a minimum of 3% of the vote to be represented in the Congress of Deputies.

The Senate, the upper Chamber, comprises 208 members elected by universal suffrage (provincial senators) and 49 representatives appointed by the 17 autonomous communities (community senators). Each province elects four provincial senators whatever the population size except for Ceuta and Melilla, who appoint two and the Balearic Isles and the Canary Islands, the major islands of which (Gran Canaria, Majorca and Tenerife) each choose three, and the smaller ones (Ibiza-Formentera, Minorca, Fuerteventura, Gomero, Hierro, Lanzarote and Palma), choose one senator each. In addition to this each autonomous community elects one community senator as well as an extra one for every million inhabitants.

This system fosters the development of the least inhabited areas. The senatorial elections take place on the same day as the ones for the Congress of Deputies. The election is run according to party-lists except on some islands. In all, the upper chamber comprises 264 members. The law on equality, approved in April 2007, prohibits any list from putting forward more than 60% of the same sex in any type of election.

10 political parties are represented in the present Congress of Deputies:

- The Socialist Workers' Party (PSOE), founded in 1879, led for many years by outgoing Prime Minister José Luis Rodríguez Zapatero, who was replaced last summer by Alfredo Pérez Rubalcaba, has 169 seats;
- the People's Party (PP), the main opposition party, created in 1977 and led by Mariano Rajoy, has 154 seats;
- Catalonia Convergence and Union (CiU), a Catalan nationalist electoral alliance created in 1978 alliance, led for many years by Jordi Pujol, is now led by Artur Mas, with 10 seats;
- The Basque National Party (PNV) created in 1984 and led by Inigo Urkullu, has 6 MPs;

- The Catalonia Republican Left (ERC), founded in 1931, lies to the left of the political scale and is chaired by Oriol Junqueras i Vies, with 3 seats;
- The Galician Nationalist Bloc (BNG), created in 1982 and led by Guillerme Vázquez, with 2 seats;
- The Canaries Coalition (CC), a nationalist party led by Claudina Morales, has 2 MP's;
- United Left (IU), a leftwing electoral alliance founded in 1986 and led by Cayo Lara Moya, has 2 MPs;
- Union, Progress and Democracy (UPyD), created in 2007, clearly against the armed terrorist organisation Euskadi ta Askatasuna (Basque Country and Freedom, ETA in Basque,), has one seat;
- Yes to Navarre (NB), a coalition of parties (left and right) that is working for Navarre's annexation to the Basque country, has one seat.

The PSOE holds the majority in the Senate, where it won 101 seats in the last general elections on 8th March 2008. The PP won 88; the Catalan Alliance for Progress that rallies the Catalonia Republican Left, the Catalonia Socialist Party (PSC) and the Catalan Green Initiative (ICV) 12; Catalonia Convergence and Union, 4; the Basque Nationalist Party, 2 and the Canaries Coalition, 1.

56 senators were elected by the autonomous communities.

A country on the edge of the precipice

As of 2008 the collapse of the real estate bubble which had guaranteed the Spanish economic boom for decades, together with the international economic crisis, took Spain into a severe recession. In 2011, the European debt and euro zone crisis slowed economic recovery even more.

The country has between 700,000 and 1.5 million unsold, empty lodgings. The real estate market, like the rest of the Spanish economy, lacks funding which makes a return to growth extremely difficult. The recent measure to reduce VAT by 50% (from 8% to 4%) on the purchase of any lodging, experimented with over the last four months, seems to have had no significant effect on the real estate market. The PP is promising however to extend this measure beyond the December deadline.

For a long time the PSOE tried to minimise the country's socio-economic situation before imposing a sudden austerity policy. At the beginning of the crisis, Prime Minister José Luis Rodríguez Zapatero was extremely optimistic. During the general elections of March 2008

he was re-elected as head of State and promised full employment. Three years later he is the most unpopular head of government in Spain's history. "If José Luis Rodríguez Zapatero wants to do his country a favour he should give up his post as soon as possible," read an article in the daily El País recently. "We are inheriting the worst situation ever left by one government for the next," declared Mariano Rajoy.

In the spring of 2010 the government introduced a three year austerity plan aiming to save 50 billion € by 2013 and to bring the public deficit, together with the local communities' and the social security debt, that in 2009 lay at 11.2% of the GDP, down to 3% in 2013. Amongst the measures adopted were cuts in social aid, the freezing of retirement pensions (except for the lowest levels) and a halt to new jobs in the civil service, a decrease in public investment, a raising of the legal retirement age from 65 to 67 years, privatisations, a 5% decrease in civil servants' salaries in 2010 and a freezing of the latter in 2011, the abolition of the 426€ allowance paid to the unemployed, who were no longer eligible to benefits, together with the abolition of the maternity cheque of 2,500€ paid for every new birth and a two point increase in the VAT (rising from 16% to 18%), in other words, this was might be called shock treatment. "That was the day I cut the umbilical cord with the progressive electorate," said José Luis Rodríguez Zapatero speaking of 12th May 2010, when the government's draconian measures were announced.

One year after these measures were taken, Spain is still caught up in turbulence and remains under the close surveillance of the financial markets. In the spring hundreds of thousands of young Spaniards rallied together on an on-line platform called Democracia real ya (Real Democracy now) before deciding to occupy the main squares in many of the country's towns; on 20th May the internet site declared that 175 squares were occupied, rallying 60,000 people in all, 20,000 of whom were in Madrid. "Yes we camp" shouted the young demonstrators in reference to Barack Obama's slogan during his presidential campaign in 2008. The Movimiento 15 M (15th May Movement), the name given to this movement, rallies the unemployed (some of whom no longer have the right to anything), civil servants, and also the employed (many of them in pre-

carious situations), students who baptised themselves the "indignados" (the indignant).

Young Spaniards represent both the best educated and the best qualified generation in all of the country's history and the one which integrates the least into society – this has reached a point that some people have spoken of the "destruction of a generation". Most of them have temporary jobs (most are on limited contracts) and earn very low wages (they are called the *mileuroistas*, people earning around 1000€), which contributes to their inability to find any kind of lodgings. They all have the feeling that they are not being heard or represented by the political parties. Their movement is an example of direct democracy organised outside the realm of the parties and the unions.

"I have a great deal of respect for those who are demonstrating, which they are doing peacefully, and I understand that this is due to the economic crisis and their desire to find work," stressed Prime Minister José Luis Rodríguez Zapatero, who added that if he had been a few years younger he would probably have joined them. "They are impatient, I understand that, but we are on the path to reform and we have to improve," he concluded.

At the end of August the government announced a further plan to save 5 billion €; the aim is to bring the public deficit down to 6% by the end of 2011, by reducing healthcare spending and by undertaking a reform on the payment of company tax whose total rises to over 20 billion €. This plan comes in addition to the first measures adopted in 2010, which planned to save 65 billion € over 3 years. It will enable companies to extend the employment of salaries on temporary contracts by two years. "The two year rule which makes it obligatory to transform temporary jobs into unlimited contracts has been suspended," declared Employment Minister Valeriano Gomez (PSOE). The government also re-introduced the 400€ allowance paid to the unemployed who have come to the end of the benefits rights. A new training contract of 1 to 2 years, together with a 100% dispensation of social security contributions for the duration of the contract in the event of a job seeker being taken on, will also enable young people (or the not so young) to train and work at the same time. Other measures such as the widespread use of generic medicines aim to bring in at least 4.9 billion € into the State coffers.

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In September Spain adopted by 319 votes in support, 17 against, a golden rule, i.e. the inclusion of a limit to the country's public deficit in the Constitution. In Spain any revision of the Fundamental Law has to be approved by a 3/5th majority of the MPs. The vote in support, on the part of the PSOE and the PP, was enough to enable the adoption of the golden rule. The small parties criticised the reform, and, notably, its rather rapid adoption.

The text sets the maximum total of the administrations' global structural deficit at 0.4% of the GDP as of 2020. The State deficit should not rise above 0.26% of the GDP and that of the autonomous communities, above 0.14%. Finally, local authorities will have to put a balanced budget forward. On 27th September a ceremony was organised at the royal palace of Zarzuela during which the Prime Minister Zapatero and King Juan Carlos ratified the reform of article 135 of the Spanish Constitution. An organic law still has to be adopted before 30th June 2012.

Finally also in September the government decided to re-introduce a wealth tax which had been abolished in 2008. This generated €2.1 billion in 2007. Its threshold was raised to €700,000 (that of the main place of residence was doubled and now totals €300,000). This new tax should affect 160,000 people and bring in €1.08 billion. The Spanish regions that received financial compensation from the State (equal to the amount taken in 2007) since the abolition of the wealth tax in 2008 will continue to receive compensation.

At the beginning of October the government decided to inject €7,551 billion in public funds into 4 savings bank, an intervention which marked the end of the recapitalisation process -undertaken mainly using private funds- which started in 2009. In two years the regional savings banks, considered to be the weak link in the Spanish system, have merged and their number reduced, dropping from 150 to 45. They were also made professional, with most of them transforming into traditional trading banks.

The government has delayed the privatisation of the airports of Madrid (Barajas) and Barcelona (El Prats) planned for the autumn, a decision that is depriving the State of €5 billion in revenue. Seven investors have shown their interest in the operation, including the German airport company Fraport and Spanish groups,

Acciona and Ferrovial. In September the government delayed its project to float the National Lottery on the stock exchange.

At the beginning of October the ratings agency Fitch took Spain's rating down a notch (from AA to AA-). The agency justified itself saying that there was "an uncertain growth outlook for the country contrasted against the need for the private sector to have access to external funds." It believes that "the quality of the assets of the Spanish financial system continue to worsen," and it deplores "the incomplete reform of the employment market" which continues to impede economic recovery and indicates that Spain is facing "growing risks" because of its high unemployment rate and an increasingly difficult financial environment, and also because of the danger of economic slowing amongst its main partners. Five days later, Standard & Poors also downgraded the ratings of Barcelona and the region of Madrid (from AA to AA-). On 18th October Moody's downgraded Spain's sovereign rating from Aa2 to A1 with a negative outlook. The agency has justified its action saying that the country continues to be "vulnerable to market tension" and that "its economic growth is only due to reach 1% at best next year."

On 15th September Fitch also downgraded the rating of five regions, Moody's downgraded six: Catalonia, which represents 1/5th of the country's GDP, Castilla la Manche, Murcia, Valence, Andalusia and Castilla-and-Leon, Catalonia, the region of Madrid, Valence and Andalusia represent two-thirds of the country's regional debt which totalled €115 billion at the end of 2010, i.e. 10.9% of the Spanish GNP. 12 of the 17 country's regions did not achieve the 1.3% deficit goal of the GDP set by the government, which does not have any real means to put pressure on the regions from this point of view. The total debt of these regions together lies at €121 billion.

"The government's macro-economic forecast is not realistic" says Estefania Ponte, Strategy and Economy Director with Cortal, the bank specialised in savings and on-line brokerage for private parties and which is also a branch of BNP Paribas. It forecasts growth of 2.3% whilst it will total 1-1.5%. Ratings agency Standard and Poor's based its analysis on growth forecasts of 0.8% (and 1% in 2012), a result lower than the one forecast 8 months ago (1.5%). "We think that the

government may miss its budgetary goals because of excess spending by local and regional governments and the social security, in spite of a reduction in the central government's budgetary deficit that was more than planned," stressed the agency. The latter is forecasting a central government budgetary deficit of 6.2% of the GDP in 2011, i.e. in line with the 6% forecast made by the government. "We do think however that additional measures will be necessary to reach the goal of 4.4% of the GDP in 2012," says Standard and Poor's, which is forecasting a 5% deficit of the GDP.

José Luis Rodríguez Zapatero, who was forced to withdraw due to the seriousness of the crisis after two terms in office as head of the country, was replaced last summer as the head of the PSOE by his Deputy Prime Minister Alfredo Pérez Rubalcaba. Appreciated and respected, the latter is close to the head of government. He was replaced in turn by Antonio Camacho.

On the 9th July, on his investiture, Alfredo Perez Rubalcaba promised "greater austerity" and pointed to the imperative need to create jobs. The new PSOE leader hopes to establish a tax on banks and profit. "We have given money to the banks to help them restructure, now they have to devote some of their profits to creating jobs. I suggest we ask the savings banks and other banks to devote some of their profit to this." The socialist candidate for the post of Prime Minister wants to implement a re-distribution policy, "it is time for those who have suffered the least because of the crisis, to help those who have suffered the most," he declared. "The banks can wait, not the young people," he added, increasing his calls for the "Indignado" to join him. Alfredo Pérez Rubalcaba supports taxing the wealthiest and hopes to see the Spanish public deficit reduced to 6% of the GDP this year, in order to bring it under the 3% mark in 2013.

Victory forecast for the People's Party

After two failed attempts (in 2004 and 2008) the PP is now running favourite in the general election on 20th November next. Its leader Mariano Rajoy, who is not very popular amongst the Spanish, unlike Alfredo Pérez Rubalcaba, who is believed both more effective, experienced and more open to dialogue, should be appointed Prime Minister. The vote for the main oppo-

sition party will be related more to a rejection of the socialists than to an affection for the PP.

On 20th July last Francisco Enrique Camps Ortiz (PP) resigned from his post as chair of the region of Valencia to which he was re-elected on 22nd May last in the regional elections. He is suspected of having received bribes (to a total of €14,000) from a network of companies that monopolised public procurement markets in the region. The investigation, undertaken by Judge Baltasar Garzon, revealed a network of corruption led by Francisco Correa, a company head close to the PP, who was used as an intermediary by real estate companies and opposition MPs, for the attribution of state contracts in exchange for bonuses and gifts (Francisco Enrique Camps Ortiz is said to have received some). His trial is to open in the autumn. He was replaced as head of the region of Valencia by Alberto Fabra.

A close colleague of Mariano Rajoy, Francisco Enrique Camps Ortiz supported the latter when he had problems being re-elected as head of the PP in 2008. He said he would resign if there were early elections so as not to compromise the electoral campaign. "I am sacrificing my position so that Mariano Rajoy can be the head of government," he declared.

The PP's programme is focused on four points: the creation of jobs, the economy's return to health and competitiveness, the enhancement of equality opportunities and democratic reform in response to social demand. It is promising to create 3.5 million new jobs, mainly by re-organising the fiscal system (notably by reducing taxes for people who want to create a business). "Spain can emerge from the crisis and will do so" declared Mariano Rajoy, who recommends "an orderly economic policy, based on austerity and reform that encourages company heads." "We want to defend social cohesion, the Welfare State and public services but with good economic management. The civil service will not be able to spend what it does not have," he said.

From an economic point of view, Mariano Rajoy has announced three main axes: a 5% reduction in taxes on SME's, a business plan to stimulate demand and to reduce bureaucracy and the capping of regional spending (with the obligation of budgetary balance). On this point Mariano Rajoy recalled that the governments led by José Maria Aznar (1996-2004) had allowed

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no deficit on the part of the autonomous communities and he accuses the socialists of having made the fundamental mistake of abolishing this measure. He announced further austerity measures saying that he "had no intention of reducing social spending" and that he was not planning to increase taxes either. He is recommending the introduction of a single employment contract, is against the reintroduction of the wealth tax and also the privatisation of the national lottery; he is also against the privatisation of the two main airports in the country, accusing the socialist government of having launched into a rather hurried operation to sell off major assets at low prices in a financially unprofitable situation.

Sacrifice, merit, tenacity and the respect of authori-

ty and discipline are the values the PP leader likes to promote. He is relying on the confidence the general elections will give him in order to implement his programme. "This (future) government will cast its net wide and will enjoy the country's confidence," he repeats, without forgetting to say that all Spaniards will be "obliged to make a major effort in the future."

The most recent poll by Metroscopia for the daily El Pais reveals that the People's Party (PP) enjoys a comfortable lead over the PSOE. It is credited with 45.5% of the vote whilst the PSOE is due to win 29.7% of the vote. The United Left is due to come third, winning 7.6% of the vote, Union Progress and Democracy 4.5% of the vote. Seven Spaniards in ten (70%) say they are going to vote on 20th November next.

Reminder of the general election results of 8th March 2008 in Spain

Congress of Deputies

Turnout: 73.85%

Political parties	No. of votes won	% of votes won	No. of seats won
Workers' Socialist Party (PSOE)	11 288 698	43.87	169
People's Party (PP)	10 277 809	39.94	154
United Left (IU)	969 871	3.77	2
Catalonia Convergence and Union (CiU)	779 425	3.03	10
Basque Nationalist Party (PNV)	306 128	1.19	6
Union, Progress and Democracy (UPyD)	306 078	1.19	1
Republican Left of Catalonia (ERC)	298 139	1.16	3
Galician Nationalist Bloc (BNG)	212 543	0.83	2
Canaries Coalition (CC)	174 629	0.68	2
Yes to Navarre (NB)	62 398	0.24	1
Others	1 059 145	4.1	0

Source : Source : Internet site of the Spanish Interior Ministry
<http://www.infoelectoral.mir.es/min/busquedaAvanzadaAction.html?codTipoEleccion=2&vuelta=1&isHome=1&codPeriodo=200803>

Senates

Turnout: 74.49%

Political parties	No. of seats won
Workers' Socialist Party (PSOE)	101
People's Party (PP)	88
Catalan Alliance for Progress (Republican Left of Catalonia (ERC), Socialist Party of Catalonia (PSC) Catalan Green Initiative (ICV))	12
Catalonia Convergence and Union (CiU)	4
Basque Nationalist Party (PNV)	2
Canaries Coalition (CC)	1
Senators elected by the autonomous communities	56

Source : Source : Internet site of the Spanish Interior Ministry
<http://www.infoelectoral.mir.es/min/senado.html?method=grafica>

Mariano Rajoy's People's Party easily ahead in the polls for the Spanish parliamentary elections

Around 34 million Spaniards are being called to ballot on 20th November next for early general elections, the 7th of the kind since Madrid's return to democracy in 1976. After 8 years of socialist government and since the country is suffering a serious economic crisis, the main opposition party, the People's Party (PP), led by Mariano Rajoy, is still the main favourite in this election, just one week before the vote, the main stake of which is not so much the name of the future Prime Minister, but the strength of the victory achieved by the rightwing.

Socio-economic questions are almost the only subject of debate in the electoral campaign.



An alarming socio-economic situation

Spain's most recent economic statistics are hardly a comfort. Whilst José Luis Rodríguez Zapatero's government (Socialist Workers' Party PSOE) had set the goal of bringing the budgetary deficit down to 6% of the GDP this year – which totalled 9.2% in 2010, most economists are forecasting that it will still total 6.7% at the end of the year in spite of the work undertaken and the present austerity plan. Some even believe that the deficit might reach 7.5% of the GDP. "Only an improvement in growth

or the announcement of extraordinary measures at the end of the year will prevent the budgetary deficit rising to 7.5%," states Fernando Fernandez, an economist at the IE Business School in Madrid.

In the second quarter of this year the country's public debt represented 65.2% of the GDP, i.e. +8 points in comparison with the same period one year ago. The situation is alarming in regions whose debt totals 12.4% of the GDP (10.2% last year). In towns and cities the situation is stable.

GDP growth rose by 0.2 points in the third quarter, in comparison with the previous one. It lay at

0.4% in the first quarter and 0.2% in the second. The Spanish government aims to achieve growth of 1.3% in 2011. "As the year has gone by the Spanish economy has gradually shown a slowing in the weak recovery rate already demonstrated in 2010," read a press release by the Spanish Central Bank at the end of October.

The unemployment rate reached its highest level since 1996 in the third quarter: it now affects 21.52% of the working population and 45.80% of the youngest (16-24 years). Nearly 5 million Spaniards (4,978,000) are without work; amongst them 2.1 million have not worked for a year. The number of households in which no one works has risen from 58,000 to 1.43 million over the last three years – which are "poor figures that are taking us away from the end of the crisis", declared Labour Minister, Valeriano Gomez (PSOE). "3.2 million people have joined the ranks of the unemployed since the start of the economic crisis and many years will be required to re-integrate them into the economy," indicates Juan Carlos Martinez Lazaro, economist at the IE Business School.

The government has announced a reduction in the number of job seekers. It is forecasting an unemployment rate of 18.5% next year, 17.3% in 2013 and 16% the following year. In October the PSOE and the PP rejected the request made by the Confederation of Employers Organisations (CEOE) to reduce the number of days from 20 to 12 in terms of the financial compensation paid out in the event of a redundancy. "We are not going to make laying people off cheaper and make employing them more expensive," declared the PP spokesperson Esteban Gonzalez.

Inflation is still high and lies at 3%. The average family revenue has declined by 4.4% in one year, to lie at 25,000 € per annum per household and at 9.400€ per annum per single person. Around 2% of Spanish families are living under the poverty line set at 7.500€ per annum per person and 13.500€ for a couple with a child. "A sign of how serious the situation: increasing numbers of young, trained graduates are leaving Spain to work elsewhere," stresses Florentino Felgueroso, a researcher at the Foundation for Applied Economic Studies (Fedea).

"No party in government can withstand a crisis of this severity," indicates political expert Fermin Bouza, adding, "especially since the electorate on the left is demotivated by the prospect of further austerity measures."

On 19th October last the ratings agency Moody's downgraded five Spanish banks (Banco Santander, BBVA, CaixaBank, the Caixa and the Confederation of Savings Banks (CECA)) to Aa2 (previously Aa1) likewise that of 10 Spanish regional banks in Castile la Mancha (-5), the Basque country, Galicia, Madrid, Extremadura, Andalusia, Castile and Leon, Murcia, Valencia, and Catalonia. On the previous day, on 18th October Moody's reduced Spain's sovereign rating from Aa2 to A1 with a negative forecast, arguing the country's exposure to market tensions and its weak economic growth prospects. In October the ratings agencies Fitch and Standard&Poor's also reduced Spain sovereign rating, likewise several regions.

Finally the Indignant, young (and not so young), unemployed, civil servants, workers and students rallied under the banner of the Movimiento 15M (15th May Movement), and are planning to demonstrate on 19th November next, i.e. the eve of the parliamentary elections, although they were not given permission to do so.

The Electoral Campaign

After 8 years in the opposition and two personal failures (2004 and 2008), Mariano Rajoy is finally witnessing his hour of glory. Growth and the creation of jobs are the two main goals set by the PP. "To do this we need investments and this requires confidence," he indicated. "The People's Party always managed the country's economy well, which has not been the case of the PSOE. The last time we were in office in 1996 unemployment totalled 2%. When we left power in 2004 it was below 10%. Today unemployment is again over 21%," he recalls.

Mariano Rajoy says that his party will not increase taxes, will not reduce retirement pensions, "because this would affect the weakest" and will not touch healthcare and education. To reduce State

spending it suggests a “slimming” down of the civil service. However in order not to weaken his camp just a few days before the election the PP leader is not revealing any details of his programme and the austerity measures that it entails, since social cuts rarely achieve popular support.

On 23rd October, 100,000 people (teachers and parents) demonstrated on the call of the education unions against an increase in the number of pupils per class, the rise in the number of hours required of teachers and the measures featuring on the PP programme, which according to demonstrators, are planning for the privatization of some parts of the education system and the opening of charter schools, which are generally created by teachers or parents and enjoy public funding and extensive autonomy in terms of teaching and school programmes.

The speech delivered by Alfredo Pérez Rubalcaba, the PSOE leader (who replaced Prime Minister José Luis Rodríguez Zapatero as head of the party last summer), former Deputy Prime Minister and Interior Minister (2006-July 2011), resembles that of the head of the opposition. “We want to change the economic policy: create confidence, boost investment, reduce public deficit, restructure taxation and reform the labour laws,” he stresses. He states that the lack of employment is Spain’s main problem and that 90% of this is due to the collapse of the real estate bubble. He suggests the payment of social security contributions by companies with fewer than 50 employees over a two year period which, he says, would create jobs, a measure that would be funded by the wealth tax.

“Some people think that politicians have lost the battle and that the markets can do what they like. Politicians have to solve the problems, and only the politicians. We should stop complaining about the ratings agencies, and create one here in Europe to defend ourselves,” declared Alfredo Pérez Rubalcaba. The latter admitted that the government, led by outgoing Prime Minister José Luis Rodríguez Zapatero, had not come up with the solutions to the economic crisis and insists on the fact that Madrid is not Athens. “Our base is different from that of the Greeks, our accounts are precise and in good

order and we have never tried to dupe either Brussels or the markets,” he says.

The socialist leader knows that the fight on 20th November next will be a difficult one and that the PSOE is lagging far behind the PP in the polls. “I face a difficult battle ahead but it is vital for the country and my party. Spain needs to undertake major reform and I would like these to be done according to the same principles that have always guided us and which led us to where we are today,” declared Alfredo Pérez Rubalcaba. With this he is trying to limit the extent of the PP’s announced victory. “At this very moment the victory of Real Madrid against Barcelona is more likely than me winning against Mariano Rajoy” he declared.

On 7th November Mariano Rajoy and Alfredo Perez Rubalcaba met for the only TV debate of the electoral campaign (the fifth since Spain’s return to democracy in 1976). The programme lasted 1 hour and 40 minutes (with 40 minutes being devoted to the economy and employment) and rallied over 12 million viewers (54.2% audience rating). The two men each revealed the measures they wanted to implement to revive the Spanish economy. The socialist, who often seemed to be the opposition candidate and the challenger, tried to push his rival into revealing the details of his programme and mentioned several issues such as abortion, homosexual marriage, without getting an answer from Mariano Rajoy. In 2005 the PP indeed voted against the law on homosexual marriage and lodged an appeal with the Constitutional Tribunal (which in fact has still not delivered its decision). In January this year the opposition leader said in a radio interview that he would modify this law if he came to power. The PP candidate who is cautious has refrained from addressing these subjects during the electoral campaign and has not run the risk of scaring any former leftwing voters who might vote for him on 20th November next. A poll by the Sociological Investigations Centre (CIS) revealed that 7 Spaniards in 10 (70%) supported homosexual marriage, including 71% of the young under 30’s, who say they support the PP.

According to a poll by Metroscopia for the daily El Pais after the TV duel, 46% viewers believed that

the opposition leader had dominated the debate whilst 41% thought that his socialist rival had won the fight. "Alfredo Pérez Rubalcaba is not seductive but he has a great amount of experience and is certainly the best candidate the left could find in these elections. Mariano Rajoy is careful and balanced. He does not want to scare off the working class with the announcement of harsh measures," stresses Bernard Bessières, professor at the University of Aix-en-Provence and a specialist of contemporary Spain

ETA: an historic decision welcomed by all

The country is in a difficult socio-economic situation but the Spanish were pleased on 20th October last when the terrorist organisation Euskadi ta Askatasuna (Basque Country and Liberty, ETA), founded in 1959, in a bid to win the independence of the Basque Country and "one of the last vestiges that remain from Franco's era," according to Jorge Semprun, announced that it was finally giving up its armed combat. This is an historic moment even if it does not mean the end of the conflict or that the quest for Basque nationalist independence is over. There are several reasons behind this decision. Firstly the efficiency of the Spanish and French police forces, who, together, have delivered fatal blows to the terrorist organisation, which has been responsible for 829 deaths and hundreds of injuries. Then, the involvement of the international community in the peace process that started on 29th March 2010 with the Brussels Declaration signed by five Nobel Peace Prize winners (including Desmond Tutu, John Hume and Betty Williams) and around fifteen moral personalities (two former heads of State – Frederik De Klerk and Mary Robinson –, a former Prime Minister –Albert Reynolds –, the former head of Tony Blair's cabinet – Jonathan Powell –, South African lawyer Brian Currin) was crucial. This text demanded that ETA declare a "permanent, verifiable cease-fire" which might be monitored by an independent international body. The organisation acquiesced nine months later, on 10th January 2011, before declaring the end of the

revolutionary activities some months later.

"ETA must now understand that it has to stop all of its activities and relinquish its own existence," declared Judge Baltasar Garzon after ETA's announcement to give up its armed combat. "We believe that this is a major step forwards but the Spanish will only be reassured completely when the organisation has been irreversibly dissolved and dismantled," stressed Mariano Rajoy.

ETA's decision might be considered a "victory" on the part of Alfredo Pérez Rubalcaba, Minister of the Interior from 2006 to 2011. However there has been no change in public opinion in his support in the polls in the wake of this announcement.

According to the most recent poll by the Centre for Sociological Investigations, published on 6th November last, the People's Party is due to win 46.6% of the vote and take between 190 to 195 seats at the Congress of Deputies, the lower chamber of parliament. It is due to pull ahead of the Socialist Workers' Party quite easily. (by 16.7 points) which is due to win 29.9% of the vote and take 116 and 121 MPs.

The United Left (IU) led by Cayo Lara Moya is due to win 6.17% of the vote and 8 seats; the Catalan Electoral Alliance, Catalonia Convergence and Union (CiU), led by Artur Mas is due to win 3.31% and 13 seats; Union, Progress and Democracy (UpyD), 2.91% of the vote and three seats; the Catalonia Republican Left (ERC), 1.23% of the vote and three seats; the Basque Nationalist Party (PNV) led by Inigo Urkullu, 1.17% and three seats. The Basque independence movement, Amaiur, is due to make its debut in Congress with 1.05% and three seats; the Galician Nationalist Bloc (BNG) led by Guillermo Vazquez is due to win 0.77% of the vote (2 seats) and finally the Canaries Coalition (CC) is due to win 0.62% of the vote and two seats.

The Spanish know very well that the austerity policy will continue and that it will even be stepped up, whichever party wins the election. "The first half of 2012 will be very difficult and politicians will have to make some brutal cuts. They will be the most difficult months since the start of the international economic crisis," said Pablo Vazquez, the director of the Fedea.

Mariano Rajoy's Partido Popular wins the Spanish parliamentary Elections in a landslide victory

The People's Party (PP), the main opposition party led by Mariano Rajoy, easily won the general elections on 20th November in Spain, taking 44.62% of the vote and 186 seats (+32 in comparison with the election in 2008). The People's Party won the biggest absolute majority in its history and is therefore in a position to govern alone without being obliged to form an alliance with the nationalist or regional parties, as was the case until now.

Outgoing Prime Minister, José Luis Rodríguez Zapatero's Socialist Workers' Party led by Alfredo Perez Rubalcaba suffered a significant defeat winning 28.73% of the vote only and taking 110 seats, i.e. 59 MPs less. Cayo Lara Moya's United Left (IU) came third with 6.92% and 11 MPs (+9); followed by Union, Progress and Democracy (UPyD) 4.69% and 5 seats (+4); Catalonia Convergence and Union (CiU), led by Artur Mas, 4.17% and 16 MPs (+6); the Basque secessionist coalition Amaiur 1.37% and 7 MPs; the Basque Nationalist Party (PNV-EAJ) led by Inigo Urkullu 1.33% and 5 seats (-1), the Republican Left of Catalonia (ERC), led by Oriol Junqueras i Vies, 1.05% and 2 MPs (=), the Galician Nationalist Bloc (BNG) led by Guillerme Vázquez 0.75% and 2 seats (=) and the Canaries Coalition (CC), a party led by Claudina Morales, 0.59% and 2 MPs (=).

The People's Party won in 43 of Spain's 50 provinces, the Socialist Workers' Party won a majority in two provinces (Barcelona and Sevilla), Catalonia Convergence and Union won in three (Lleida, Gerona and Tarragon), Amaiur won one (Guipuscoa) and the Basque Nationalist Party in one also (Biscay). The People's Party also won 136 seats in the Senate (+48) whilst the Socialist Workers' Party lost more than half of its senators (48 i.e. -53). Catalonia Convergence and Union (CiU) won 9 seats (+5); the Catalonia Socialist Party, which was allied to the Catalan Green Initiative (PSC-ICV), won 7 ; the Basque Nationalist Party, 4 (+2) ; Amaiur, 3 and the Canaries Coalition 1 (=).

Turnout in these elections totalled 71.69% (- 2.16 points regarding the last election on 8th March 2008). Turnout in the senatorial election totalled 71.17% (- 3.32 points).

The People's Party (PP) therefore easily won the election, which had been forecast in all of the polls. Or should we rather say that the PSOE lost the election? The failure of the socialists, who had been in office for the last eight years, to put a halt to the serious economic crisis and the great social suffering in Spain, led to the change in government. The PP's success certainly owes more to the rejection of José Luis Rodríguez Zapatero's government than to the Spanish acceptance of the PP's programme or to Mariano Rajoy's personality. "The crisis has given absolute power to Rajoy" read the headlines in the newspaper El Pais on 21st November.

"Today more than ever, our fate is in the balance here and in Europe. We shall stop being a problem

to become the solution," declared Mariano Rajoy. His third attempt will therefore have been the good one for the PP's leader, who had survived two electoral defeats (in 2004 and 2008). "He has taken into hand a party - with a hand that seemed to be weak - that was riddled with corruption affairs, clans and rivalry. He is lucky to have suffered sharp criticism in the press and to have been hated by the far right: this gives him the image of being a centrist. He is reassuring. And if he wins he will owe them nothing. He will owe his victory to no one. Not even himself ... above all it has been down to circumstances," declared political expert José Juan Toharia. "Mariano Rajoy is not the source of enthusiasm but the present critical situation, which

RESULTS

requires reliability and predictability, is right for his kind of leadership. He cultivates the image of being "the man in the street" full of common sense, venerating strictness, effort and merit," says Javier Redondo, political science professor at the Carlos III University of Madrid. "Mariano Rajoy has no charisma. But this is precisely his strength. He is a boring man but you can count on him," stresses Narciso Michavila, director of the pollster GAD3. Mariano Rajoy has remained rather vague about the policy he will implement after 20th November. "I am prepared to do what the Spanish want and I am at their disposal," he indicated. "My first priority will be to maintain the purchasing power of the retired. After that cuts will have to be made everywhere," he declared in an interview in the daily *El País* on 17th November stressing, "the Brussels stability plan plans for commitment to a deficit of 4.4%. I want to apply this. Everyone has to know that the priority for my government will be to keep the promises Spain has made to Brussels." Running under the banner of *Sùmate al cambio* (Join the Change), the PP presented a government programme entitled "More society, a better government" suggesting a reform of the labour market, tax reform, and the balancing of the financial system, as well as tax reductions for company heads. "Tomorrow a new stage will be starting during which our only goal will be to overcome the crisis and unemployment," declared Ana Mato, the PP's campaign leader. "We are extremely satisfied and also we feel an enormous amount of responsibility in these difficult times," said Maria Dolores Cospedal, chair of the region Castilla-La Mancha. *Pelea por lo que quieres* (Fight for what you love), this was the PSOE's slogan, but few Spaniards seem to be prepared to fight for an austerity policy that has barely brought any result. Alfredo Perez Rubalcaba admitted the José Luis Rodríguez's outgoing government had not succeeded in coming up with the right responses to the economic crisis. Aged 56 and originally from Saint-Jacques-de-Compostelle, Mariano Rajoy is a lawyer. He started his career as a land registrar. In 1980 he joined the People's Alliance (AP), founded in 1976 by the former Pro-Franco minister (1962-1969 and 1975-

1976) Manuel Fraga. Elected MP to the Parliament of Galicia in the first regional elections in 1981, he won a seat in the Congress of Deputies some days later. He resigned from this post to become Vice-President of the Galician government. In 1989, when José Maria Aznar took over as leader of the People's Alliance, which he renamed the People's Party, Mariano Rajoy was appointed Secretary General. In 1996 he became Minister of the Civil Service and three years later, he took over the portfolios of Education and Culture. In 2000 he was appointed First Vice-President of the government (a post he held until 2003) led by José Maria Aznar, and the following year he became Interior Minister. In 2003, he was preferred to Rodrigo Rato and Jaime Mayor Oreja to succeed José Maria Aznar as the leader of the PP. He lost the election in 2004, which took place in particular circumstances (four days before the vote Spain suffered the bloodiest terrorist attack in its history, when ten bombs exploded in Madrid just minutes apart in four suburban trains – this led to 191 deaths and 1500 injured). Four years later, Mariano Rajoy failed again to lead the PP to victory.

This time was the right one and he will take up residence in the Moncloa Palace – the government's official seat.

The new Spanish government will have to reduce Spain's imbalances (notably its public deficit), bring the banking sector into order, and foster growth. "He wants to declare war on the crisis" and there will be no period of grace. On 19th November around 200 people from the Indignant movement rallied at the Puerta del Sol in Madrid to call for a boycott of the two main political parties. The Indignant are prepared to demonstrate again once the new government has presented its austerity plan. Aware of the seriousness of the crisis and the uncertainty that weighs on Madrid, the country's authorities have studied the possibility of speeding up the process to hand over power – since the post-electoral procedure does not allow the next government to take up office before 20th December, i.e. one week after the first meeting of the Cortes Generales, the name of the Spanish Parliament on 13th December.

Parliamentary Election Results 20th November 2011 in Spain

Congress of Deputies

Turnout : 71.69%

Political Parties	No of votes won	% of votes won	No of seats won
People's Party (PP)	10 830 693	44,62	186
Socialist Workers' Party (PSOE)	6 973 880	28,73	110
United Left (IU)	1 680 810	6,92	11
Union, Progress and Democracy (UPyD)	1 140 242	4,69	5
Catalonia Convergence and Union (CiU)	1 014 263	4,17	16
Amaiur	333 628	1,37	7
Basque Nationalist Party (PNV-EAJ)	323 517	1,33	5
Catalonia Republican Left (ERC)	256 393	1,05	3
Galician Nationalist Bloc (BNG)	183 279	0,75	2
Canaries Coalition (CC)	143 550	0,59	2
Others	266 734	1,08	3

Source : <http://www.elpais.com/global>

Senate

Turnout : 71,17%

Political Parties	No of seats won
People's Party (PP)	136
Socialist Workers' Party (PSOE)	48
Catalonia Convergence and Union (CiU)	9
Catalonia Socialist Party- Catalan Green Initiative (PSC-ICV)	7
Basque Nationalist Party (PNV)	4
Amaiur	3
Canaries Coalition (CC)	1

Source : <http://resultados.elpais.com/elecciones/2011/generales/senado/index.html>

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