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Socialist victory in European elections, Sánchez placed to push for top EU jobs

The Socialists won 20 of Spain's 54 seats in the 26 May elections for the European Parliament, up from 14 in 2014, making them the largest social-democratic party in the new parliament. The conservative Popular Party (PP) captured 12 seats, four fewer (see Figure 1).

Figure 1. Results of European elections, 2019 and 2014 (seats, millions of votes and % of total votes)

	2019			2014		
	Seats	Votes	%	Seats	Votes	%
Socialists	20	7.3	32.8	14	3.6	23.0
Popular Party	12	4.5	20.1	16	4.0	26.1
Ciudadanos	7	2.7	12.2	2	0.5	3.2
Unidas Podemos	6	2.2	10.0	5	1.2	8.0
VOX	3	1.4	6.2	–	0.2	1.6
Ahora Repúblicas (1)	3	1.2	5.6	–	–	–
Junts (2)	2	1.0	4.6	–	–	–
Coalición Europa Solidaria (3)	1	0.6	2.8	3	0.8	5.4
UPyD	–	–	–	4	1.0	6.5
L'Esquerra	–	–	–	2	0.6	4.0
Los Pueblos Deciden	–	–	–	1	0.3	2.1
Compromiso por Europa	–	0.3	1.3	1	0.3	1.9
Voter turnout (%)	64.3			46		
Total seats	54			54		

(1) Various regional parties including Catalan Republican Left (ERC), a pro-independence party, and EH Bildu, a leftist party in favour of independence for the Basque Country; (2) pro Catalan independence; (3) several parties including the Basque Nationalist Party (PNV).

Source: Interior Ministry.

On a much higher turnout (64% vs 46% in 2014 and compared with an EU average of 50.9%), favoured by holding the European elections at the same time as municipal and regional ones, the Socialists, led by Josep Borrell, the outgoing Foreign Minister and a former President of the European Parliament, doubled the number of their votes to 7.3 million (32.8% of the total).

Their victory in terms of votes was almost as large as that in the 28 April general election (with turnout much higher at 75.7%) when they won 7.5 million votes, making them the main party in the Spanish parliament but without an absolute majority.

The Socialists' victory gives Pedro Sánchez, the caretaker Prime Minister, a key role in negotiating, along with his Portuguese counterpart Antonio Costa, on behalf of the centre-left S&D alliance, the future President of the European Commission, the

parliament and the European Council and the High Representative of the Union for Foreign Affairs and Security with the other political groups.

The French Socialist Party collapsed, in Germany the Green Party overtook the Social-Democratic Party and in the UK the Labour Party suffered one of its worst results. Sánchez is in a strong position to push top posts for his country and increase Spain's influence on the EU's agenda.¹ Borrell, among others, is reportedly in line for a top post.

Since Javier Solana and Joaquín Almunia left Brussels, both of them in 2009, Spain has not had a high-profile politician in the European Commission, and it lost its seat on the European Central Bank (ECB) Executive Board with the departure in 2012 of José Manuel González-Páramo, a loss only reversed in June 2018 with the arrival of Luis de Guindos.

The comparison with Italy is striking, particularly given Spain's greater enthusiasm for more EU integration. Italians currently hold the Presidency of the ECB (Mario Draghi) and the European Parliament (Antonio Tajani), as well as the post of the High Representative for Foreign Affairs (Federica Mogherini) and the head of the ECB Single Supervisory Board (Andrea Enria).

Sánchez met with the liberal President Emmanuel Macron of France to coordinate how to block the candidacy of the German conservative Manfred Weber for the European Commission presidency. The coalition of the centre-right European People's Party (EPP), led by Webber, won the most seats in the parliament, but far fewer than in 2014. Sánchez supports Frans Timmermans, the Dutch centre-left EU commissioner, for the top job.

The centre-right and centre-left alliances fell short of a majority for the first time since direct elections for the European Parliament began 40 years ago, while ALDE (the group, to which Macron's party belongs) and the Greens posted the biggest gains.

Spain's centre-right Ciudadanos (Cs) also did well in the European elections, increasing its number of seats from two to seven and winning 2.7 million votes (15.9%), 2.2 million more than in 2014. The conservative Popular Party, which was hammered in the 28 April general election after moving further to the right, gained 4.5 million votes (+500,000), following a more centrist discourse.

The two main leaders of the Catalan independence movement –Carles Puigdemont, the fugitive former Premier of the region and Oriol Junqueras, his imprisoned deputy, whose four-month trial for organising the illegal referendum on secession in October 2017 ended this month– were elected to the European Parliament. In order to take up his seat,

¹ See the following article by Miguel Otero-Iglesias and Ilke Toygür for Spain's position and aspirations.

http://www.realinstitutoelcano.org/wps/portal/rielcano_en/contenido?WCM_GLOBAL_CONTEXT=/elcano/elcano_in/zonas_in/commentary-oteroiglesiastoygur-sanchez-must-snatch-economic-vice-presidency-for-spain.

Puigdemont had to come to Madrid from his self-imposed exile in Belgium and swear loyalty to the Spanish Constitution before the Electoral Board by 17 June, and he would be arrested. He did not come. Toni Comín, a former member of the Catalan government and in self-imposed exile too, was also elected to the European parliament.

When the UK leaves the EU, as assumed will happen as of 31 October, with or without a negotiated deal, the number of Spanish MEPs will increase from 54 to 59. This will benefit the Socialists, the PP, Cs, VOX and Ahora República, which will each gain one more seat.

Spain slips in Elcano Global Presence Index

Spain moved down one position in the 2018 Elcano Global Presence Index to 12th spot out of 120 countries, although its score was slightly higher (264.9 as against 258.5, see Figure 2).

Figure 2. 2018 Elcano Global Presence Index, top 20

Country	2018 score	1990 score	Country	2018 score	1990 score
1. US	2.856.9	2,288.3	11. India	268.0	111.0
2. China	1006.4	152.8	12. Spain	264.9	124.4
3. Germany	685.2	536.3	13. South Korea	254.1	94.8
4. UK	678.7	615.8	14. Australia	209.9	101.0
5. Japan	598.6	500.4	15. Switzerland	183.6	93.2
6. France	585.8	564.6	16. Belgium	182.9	197.2
7. Russia	503.1	920.1	17. Singapore	155.9	37.2
8. Canada	381.2	250.4	18. Brazil	137.8	107.1
9. Italy	316.1	292.1	19. Turkey	129.5	53.7
10. Netherlands	316.1	182.2	20. UAE	127.7	5.3

Source: Elcano Royal Institute.

The countries covered generate 99.3% of global GDP and account for 94.3% of the world's population. The 15 countries in the top positions are the same as in 2017, but there are three interesting overtakings: Germany and the UK swap positions, with the UK falling from 3rd to 4th place (a Brexit effect?). The same happens with Japan, which goes up to the 5th spot while France falls to 6th (Abenomics?). As expected, India overtook Spain into 11th position, although it has opted for a more inward-oriented development model.

The index, the result of adding together 16 indicators of external projection that are aggregated according to the criteria of experts in international relations, measures the ability of countries to project themselves beyond their borders and the extent to which they are participating in and shaping the process of globalisation.

It measures global presence based on three dimensions. First, it ranks a country's economic presence, including outward foreign direct investment and other elements such as energy, services and exports. Secondly, it assesses a country's military presence, which is determined by the number of troops deployed abroad and the equipment available for deployment. And third, it includes statistics on a country's soft presence, which is based on a wide number of factors including exports of cultural products, tourist arrivals and official development aid.

The index does not measure power and nor does it reflect a country's effort to achieve greater internationalisation or its degree of openness. Instead it shows the results of internationalisation and examines the external projection of countries more than the way in which they absorb the external action of other countries within their national territory. The index thus takes into account the exports of manufactured goods, for example, but disregards the imports. By comparing a state's presence with its actual power (or influence), it is possible to gauge the extent to which it is punching above or below its weight. Spain is regarded as punching below its weight.

Spain's economic presence (61.1% of its global presence) and its military presence (12.7%) were slightly higher than in 2017, while its soft presence (26.1%) was lower (see Figure 3). Spain was ranked 10th overall in economic presence, 15th in military presence and 10th in the soft dimension.

Figure 3. Spain's global presence index absolute values and % share in the index of the economic, military and soft presence dimensions, 1990-2018

Variable	1990	1995	2000	2010	2014	2016	2017	2018
Economic presence	57.8	73.3	113.1	193.1	157.0	147.5	153.4	161.9
% of global presence	46.5	51.3	58.4	61.6	60.4	59.7	59.4	61.1
Energy	1.8	0.8	1.9	2.5	4.2	2.8	2.2	3.3
Primary goods	5.2	8.7	8.9	11.3	12.7	12.0	12.4	13.0
Manufactures	17.0	22.1	25.6	26.3	26.9	26.0	26.2	26.8
Services	26.9	29.8	36.1	43.1	37.8	36.6	38.7	40.0
Investments	6.9	12.0	40.7	109.8	75.5	70.1	73.9	78.8
Military presence	44.3	44.4	44.8	51.6	32.2	32.0	31.7	33.8
% of global presence	35.6	31.1	23.1	16.4	12.4	12.9	12.2	12.7
Troops	0.4	7.5	12.5	11.2	3.7	4.6	4.5	6.9
Military equipment	43.9	36.9	32.3	40.3	28.5	27.3	27.2	26.9
Soft presence	22.2	25.2	35.7	68.8	71.0	67.6	73.4	69.3
% of global presence	17.9	17.6	18.4	22.0	27.3	27.4	28.4	26.1
Migrations	1.7	1.9	2.9	9.9	9.5	8.7	8.6	8.6
Tourism	9.4	7.7	10.1	10.2	11.3	12.5	13.6	14.6
Sports	0.8	2.4	1.2	2.6	3.4	3.1	3.0	2.9
Culture	1.2	1.8	7.9	11.1	15.5	15.2	15.0	14.8
Information	0.0	0.1	0.3	2.8	9.2	9.0	8.9	8.8
Technology	3.7	2.9	3.0	4.9	3.2	1.8	1.8	1.8
Science	2.0	3.4	4.4	9.6	10.6	11.0	10.8	9.3
Education	0.7	1.4	2.4	2.6	2.9	2.7	2.6	2.6
Development coop.	2.7	3.7	3.3	15.1	5.3	3.6	9.1	5.9
Global presence index value	124.4	142.9	193.6	313.5	260.2	247.0	258.5	264.9
Position in the index	12	11	11	11	11	13	11	12

Source: Elcano Royal Institute.

The increased economic presence was due, among other factors, to higher exports and the larger stock of foreign direct investment abroad. The reduced soft presence reflected the slowdown in classic indicators such as culture, migration and cooperation, as well as the lower registry in the scientific and technological area.

US military presence at Rota base to be strengthened

The government will allow the US to increase its military presence at the Rota Naval Base without having to amend the 1988 bilateral defence agreement with Washington, as technically should happen.

With no new government yet in place, following the general election in April, modifying the agreement would be very difficult. Changes would have to be approved by the Congress and the Senate.

The four currently deployed guided-missile destroyers at Rota are to be replaced between early 2020 and the spring of 2022. The four vessels, which were made at the end of the last century, will be replaced by more modern ships and equipped with helicopters.

Domestic scene

A new Socialist government within Sánchez's grasp

Almost two months after April's inconclusive general election, the acting Socialist Prime Minister Pedro Sánchez, whose party won the most seats, is struggling to form a government.

The Socialists' 123 seats plus the 42 of the far-left Unidas Podemos, the six of the Basque Nationalist Party (EAJ/PNV) and probably one each from two other small parties leave Sánchez three short of the magic number of 176, the minimum number required for an absolute majority in the first investiture vote expected in July.

The complexity of the fragmented parliament is exemplified by the Regionalist Party of Cantabria (PRC), which has put a price tag of €1.1 billion in public spending in exchange for its one vote. That money would pay for completing a high-speed rail link between Madrid and Santander and bailing out a local hospital.

The Popular Party (PP), Ciudadanos (Cs) and the far-right VOX, which between them have 147 seats, will vote against the Socialists in the first vote.

In the second voting round, Sánchez requires a simple majority (more 'yes' than 'no' votes) and he would only achieve victory if there are abstentions. Failure at that vote would trigger fresh elections –the fourth in four years–. Both the PP and Cs say they will not abstain, which leaves Sánchez's fate in the hands of three regional parties, particularly the Republican Left of Catalonia (ERC), which has 15 seats and whose leader Oriol Junqueras has been in jail for 18 months. Junqueras is one of 12 Catalans whose trial for organising an illegal referendum on independence ended this month and one of three ERC MPs in prison. The ERC will vote against Sánchez, but the three seats

held by the jailed separatists could count as abstentions, which would tip the tight vote in the Socialists' favour.

The easiest solution to Sánchez's problem would be for Cs to back the Socialists (between them they have 180 seats) and form a coalition government. That would free Sánchez of reliance on Podemos and, to some extent, Catalan separatists, which he wants to avoid, and give Spain what it badly needs: the first stable government in four years.

The party that does want to enter a Socialist government and not just support it is Podemos, but it did badly in April's election, losing 29 seats. Podemos's weakened position has enabled Sánchez to resist the desire of Pablo Iglesias for a formal coalition.

The Socialists and Cs signed a legislative agenda for a coalition government in February 2016, following the inconclusive election in December 2015, but they were outvoted by the PP and Podemos, sparking an election in June 2016 that saw the PP remain in power, thanks to the Socialists abstaining in the second investiture vote in the October. That government fell in June 2018 when it lost a censure motion, brought by Sánchez with the support of Podemos and the Catalan separatists.

The Socialists and Cs are natural allies (the latter was created in 2006 as a liberal/social-democratic party), but the relationship between Sánchez and Albert Rivera, Cs' leader, has soured. Rivera accuses Sánchez of being soft on the Catalan independence issue and sees an opportunity to overtake the PP as the main centre-right party (the PP only won nine more seats in April's election).

Francesc de Carreras, a professor of constitutional law and one of the founders of Cs, accused Rivera in an open letter in *El País* of putting the party's interests before those of Spain at a critical moment.

French President Emmanuel Macron, whose Republic on the Move party is in the same European Parliament liberal group as Cs, is also not happy with Rivera for forging local alliances with VOX.

At the municipal level, the Socialists obtained a slightly higher share of the vote in last month's local elections than they did in the general election (see Figure 4), but they were unable to prevent the PP from re-gaining control of Madrid, thanks to support from Cs and VOX. The PP also held on to the Madrid region, although a dispute with VOX over posts in the city council held up the PP's candidate from taking office.

The PP's candidate, José Luis Martínez-Almeida, dislodged the leftist Manuela Carmena as Madrid's Mayor. In Barcelona, another leftist, Ada Colau, remained Mayor thanks to support from the Socialists and three city councillors from the party led by the dual-nationality Manuel Valls, France's former Prime Minister, in an alliance with Cs. The pro-Catalan independence Republican Left (ERC) was the most voted party, but its candidate Ernest Maragall could not garner the support needed to become Mayor.

Figure 4. Share of votes in municipal elections of Socialists and Popular Party, 1987-2019

Party	1987	1991	1995	1999	2003	2007	2011	2015	2019
Socialists	37.1	38.3	30.8	34.9	35.4	35.6	28.5	25.4	29.5
PP	25.6	20.9	25.7	35.1	34.9	36.3	38.5	27.5	22.4

Source: Interior Ministry.

Cs broke with Valls for supporting Colau, although this prevented the secessionists gaining control of the city hall. Inés Arrimadas, Cs' spokesperson, said there was no difference between Maragall and Colau.

As soon as she took office, Colau hung back on the City Hall balcony the large yellow ribbon in support of the jailed pro-independence politicians that she was ordered to remove during the election campaign.

Landmark Catalan independence trial ends after four months

The televised trial of 12 Catalans in connection with an illegal referendum on independence in October 2017, which was followed by a short-lived unilateral declaration of secession from Spain, ended on 12 June after four months. The verdict is expected in the autumn.

Oriol Junqueras, a former Deputy Premier of Catalonia, and eight others face up to 25 years in jail for rebellion. They have been in custody for more than 18 months. Four of them were elected MPs in April's general election. They were let out in order to swear allegiance to the constitution (which the referendum and the declaration of secession flaunted) when the national parliament was formally established and then returned to prison. Junqueras was also elected a member of the European Parliament in last month's election. He still heads the Catalan Republican Left party (ERC), the largest Catalan party in the national parliament.

Prosecutors argued that the separatists had carried out a 'coup d'etat' that led to clashes with police when Catalans voted in the referendum. The pro-independence leaders rejected this and said all they had done was disobey court orders, a charge that could see them banned from public office but avoid prison. The nub of the trial is whether sufficient violence can be proved to warrant the charge of rebellion. Sedition is easier to prove.

Junqueras used his closing statement to argue for a political solution. 'The best thing for everyone would be to return the issue to the world of politics, of good politics, which it should never have left', he said.

If convicted, the 12 will almost certainly appeal to the European Court of Human Rights, which recently rejected a case brought by Catalan separatist politicians. The court unanimously ruled that Spain's Constitutional Court did not violate their rights of free

speech and assembly when it suspended a session of the Catalan parliament following the referendum.

The Court said the complaint was ‘manifestly ill-founded’ as the judges’ move was ‘necessary in a democratic society’ and ‘aimed at protecting the Constitutional order’.

The session was called so that Carles Puigdemont, the former Catalan Premier, who has been in self-imposed exile in Belgium since the referendum, could assess the result of the vote.

That ruling was followed one day later by a report by the UN Working Group on Arbitrary Detention which called for an end to the pre-trial jailing of Junqueras and pro-independence activists Jordi Sánchez and Jordi Cuixart. It also suggested they should receive compensation for the time spent in jail before the verdict.

Spanish law allows suspects to be held in custody if there is a flight risk (Puigdemont and members of his cabinet fled abroad), if the court believes there is a risk of further offences being committed or they could destroy evidence.

The group comprises five non-paid experts appointed by the UN Human Rights Council. Their opinion is non-binding but politically damaging.

The government reacted angrily to the report, saying it failed to take into account the crimes for which they were on trial and ignored Spain’s laws that prohibit referendums on the independence of a part of the country.

The Catalan case has stirred up a heated debate in academic circles about the alleged repression of rights in Spain. A large group of academics including Sir John Elliott, Regius Professor Emeritus of Modern History at Oxford University, responded in an open letter to one by another group of academics including US professor Noam Chomsky, denouncing the ‘constant violation of civil rights in Catalonia’, by saying they were ‘totally unaware of the real situation in Spain’.²

The letter from Chomsky and others called for the ‘immediate release’ of those jailed, calling them ‘political prisoners’. The government calls them imprisoned politicians.

The letter from Elliott and others pointed out that the laws approved by the Catalan parliament –in violation of the Spanish Constitution and the Catalan statute of autonomy– ‘would have eliminated any meaningful separation of powers since the President of any future republic would have had the sole authority to appoint the highest courts in the land’.

² Both letters were published in *The National*, a newspaper that supports an independent Scotland: https://www.elnacional.cat/en/news/chomsky-academics-release-catalan-political-prisoners_260520_102.html and <https://www.thenational.scot/news/17665175.academic-community-must-note-breach-of-civil-rights-in-catalonia/>.

Spain up nine positions in V-Dem Liberal Democracy Index

Spain was ranked 26th out of 179 countries in the Liberal Democracy Index, one of six indices drawn up annually by the V-Dem Institute at the University of Gothenburg in Sweden, up from 35th (see Figure 5).

Figure 5. Selected country rankings and scores for the Liberal Democracy Index and all component indices

	Liberal Democracy Index	Electoral Democracy Index	Liberal Component Index	Egalitarian Component Index	Participatory Component Index	Deliberative Component Index
Norway	1 (8.67)	1 (9.13)	6 (9.58)	1 (9.66)	26 (6.49)	1 (9.89)
Costa Rica	6 (8.32)	4 (8.96)	14 (9.30)	32 (8.47)	19 (6.75)	10 (9.50)
UK	12 (8.00)	8 (8.75)	15 (9.25)	30 (8.52)	16 (6.90)	32 (8.80)
Italy	16 (7.83)	12 (8.73)	27 (9.02)	26 (8.82)	17 (6.84)	41 (8.63)
Germany	17 (7.74)	25 (8.38)	10 (9.41)	3 (9.40)	30 (6.43)	6 (9.65)
France	20 (7.73)	20 (8.50)	25 (9.09)	24 (8.90)	35 (6.34)	39 (8.67)
Spain	26 (7.42)	33 (8.19)	19 (9.18)	27 (8.71)	39 (6.16)	28 (8.98)
US	27 (7.41)	26 (8.34)	31 (8.88)	65 (7.18)	23 (6.56)	99 (6.54)

Source: V-Dem.

The Liberal Democracy Index captures both liberal and electoral aspects of democracy based on the 71 indicators included in the Liberal Component Index and the Electoral Democracy Index.

The Egalitarian Component Index measures to what extent all social groups enjoy equal capabilities to participate in the political arena, the Participatory Component Index takes into account four aspects of citizen participation and the Deliberative Component Index assesses the approach by which decisions are reached in polity.

More than 600,000 Spaniards emigrated between 2008 and 2017

A total of 647,458 Spaniards emigrated between 2008, when the economy's meltdown began, and 2017, by when the pre-crisis GDP level had been recovered. Forty-three per cent of them moved to other EU countries (see Figure 6).

Figure 6. Emigration of Spaniards to EU countries and rest of world, 2008-17

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
EU	14,929	14,902	16,969	23,827	23,491	29,291	34,612	40,316	41,138	43,973
Rest	33,505	35,990	40,157	55,472	57,267	73,329	80,441	94,645	89,825	86,827

Source: INE.

Immigrants face a four-year wait to obtain Spanish nationality

There were a staggering 363,470 people at the end of March waiting to see whether they had been successful in applying for Spanish nationality. The Justice Ministry at that time was still processing applications submitted during the second quarter of 2015.

Including the time it takes to meet all the requirements for nationality –taking language and culture exams, proof of 10 years continuous residency (five years in Germany and the UK) and of having no criminal record, among other things– it can take up to five years, compared with an average of around six months in the UK and Germany.

There are only eight people dealing with the applications, according to press reports. The previous government agreed last November to beef up the staff dealing with applications, but its 2019 draft budget was rejected in February, which resulted in a snap election in April. The measures cannot be implemented until a new government takes office and the budget is approved.

The inordinately long process is particularly frustrating for Britons, as they will stop being EU citizens after Brexit is implemented at the end of October, unless there is an extension of the deadline or a second referendum that overturns the exit.

There are around 5.5 million foreigners resident in Spain and more than 2 million people of foreign origin who have Spanish nationality. The number granted nationality peaked at 225,793 in 2013 and dropped to 66,498 in 2017 (see Figure 7).

Figure 7. Acquisition of Spanish nationality, 2013-17

	Total	UK	South America
2013	225,793	50	145,670
2014	205,880	67	118,979
2015	114,351	28	56,034
2016	150,944	44	69,220
2017	66,498	54	28,660

Source: INE.

Increase in migrants largest among OECD countries

The number of migrants over the age of 15 in Spain rose by 3.4 million between 2000 and 2016, the largest rise among developed countries, according to the latest comparative statistics from the OECD, the Paris-based think tank (see Figure 8).

Figure 8. Number of migrants (15+) in the 10 main OECD destination countries, 2000/01 to 2015/16 (in millions)

	2000/01	2015/16	Growth (%)
US	31.4	46.2	47
Germany	7.8	12.0	53
France	5.6	7.4	32
Canada	5.4	7.7	32
UK	4.5	8.1	80
Australia	3.9	5.8	50
Italy	2.0	5.5	174
Spain	1.9	5.3	175
Israel	1.8	1.7	-2
Switzerland	1.5	2.2	54

Source: OECD.

The economy

Bank of Spain presses the next government to reform the pension system

A toxic mix of the retirement of the 1960s baby boomers, high and rising life expectancy and a low fertility rate is making pension reform an urgent issue for the next government, the Bank of Spain said. And the longer it is put off, the more difficult it will be to change the ailing system.

Political parties under the so-called Toledo Pact failed earlier this year to agree any measures to stem the long brewing crisis in the pension system after three years of negotiations.

The reforms approved in 2011 and 2013 made some adjustments that countered the impact of ageing on public spending on pensions, but measures last year delayed the application of a sustainability factor and reintroduced the annual inflation-based revaluation of pensions (eliminated as of 2014). 'Far-reaching measures', the Bank said, are needed to ensure the system's sustainability.

The proportion of the over-66s compared with those aged 16-66 is forecast to double between 2018 and 2050. The gradual increase in the older population will be more marked in the case of Spain. For each person over 66, there will only be two persons aged 16-66 (see Figure 9). By 2050, Spain will have 15 million pensioners, up from 8.7 million today.

Figure 9. Characteristics of countries' pension systems

	Public pensions spending (1)	Statutory retirement age (2)	Actual retirement age (3)	Dependency ratio (4)	Replacement ratio (5)	Accrual rate (6)
France	15.0	66.3	61.9	46.4	50.5	1.5
Germany	10.1	65.5	64.6	41.7	42.0	-
Italy	15.6	66.6	63.9	38.6	58.9	1.9
Spain	12.2	65.3	63.4	31.0	57.7	2.3

(1) As a percentage of GDP in 2016; (2) for men in 2016; the actual retirement age is calculated as the average age at which people leave the workforce; (3) number of pensioners in 2017 as a proportion of the population aged 15 to 64; (4) defined as average pension to average wage in 2016; in some countries, where the replacement ratio is comparatively low (the UK, the Netherlands, Sweden and Denmark), private pensions have much more weight than in other countries; (5) rate of accrual of pension rights (new pensions).

Source: European Commission (2018).

The social security system has been in deficit for a decade. It was caused by the collapse of social security contributions as a result of the crisis after 2008, while pension expenditure, which is much less linked to economic fluctuations, maintained its growth in real terms.

The gap between revenue from contributions and spending on pensions was largely covered until 2016 by running down a special reserve set up in 2000 during Spain's economic boom. That fund peaked at €66.8 billion in 2011. In 2017 and 2018 the gap was covered by recourse to state loans (€10.2 billion and €13.8 billion, respectively).

The Court of Accounts criticised this method for 'negatively affecting' the solvency of the social security system and called for the pensions deficit to be covered by taxes.

Action needs to be taken on the revenue and spending side. The Bank of Spain points out that even if the employment rate grows significantly, in order to maintain the present benefit ratio there would have to be a huge increase in revenue from social security contributions.

The first steps to increase the retirement age, a significant aspect of the sustainability of the pension system, were taken in 2011, and will be completed in 2027 when it will be 67 (for workers with less than 38.5 years' contributions). The current retirement age, however, is still under 65 and there is no clearly upward pattern.

Spain, third-highest recipient of FDI in Europe

Spain received US\$44 billion of foreign direct investment (FDI) last year, double that in 2017 and the third-largest amount in Europe after the Netherlands and the UK, according to UNCTAD's 2019 World Investment Report (see Figure 10).

Figure 10. FDI inflows, top 10 host economies, 2018 and 2017 (US\$ billion)

	2018	2017
US	252	277
China	139	134
Hong Kong, China	116	111
Singapore	78	76
Netherlands	70	58
UK	64	101
Brazil	61	68
Australia	60	42
Spain	44	21

Source: World Investment Report, 2019, UNCTAD.

The stock of inward investment in 2018 was US\$659.0 billion, up from US\$645.2 billion in 2017 (see Figure 11). As a proportion of GDP, Spain's stock at 46.2% was the second highest among the big five EU economies after the UK.

Figure 11. FDI inward stock, 2000-18 (US\$ billion)

	2000	2010	2018
France	184.2	630.7	824.9
Germany	470.9	955.8	939.0
Italy	122.5	328.0	431.0
Spain	156.3	628.3	659.0
UK	439.4	1,068.1	1,890.3

Source: World Investment Report, 2019, UNCTAD.

The country's FDI outflows in 2018 were the fifth largest in Europe at US\$32 billion compared with US\$40 billion in 2017 (see Figure 12).

Figure 12. FDI outflows, top 10 home economies + Spain, 2018 and 2017 (US\$ billion)

	2018	2017
Japan	143	160
China	130	158
France	102	41
Hong Kong, China	85	87
Germany	77	92
Netherlands	59	28
Canada	50	80
UK	50	118
Singapore	37	44
Spain	32	40

Source: World Investment Report, 2019, UNCTAD.

At the end of last year, Spain's stock of outward direct investment stood at US\$562.9 billion (39.5% of GDP), down from US\$583.2 billion (see Figure 13).

Figure 13. FDI outward stock, 2000-18 (US\$ billion)

	2000	2010	2018
France	365.8	1,172.9	1,507.8
Germany	483.9	1,364.5	1,645.4
Italy	169.9	491.2	548.8
Spain	129.2	653.2	562.9
UK	940.2	1,686.2	1,696.5

Source: World Investment Report, 2019, UNCTAD.

Spain holds its position in competitiveness ranking

Spain remained in 36th position out of 63 countries in the latest IMD competitiveness ranking, while Germany slipped two places to 15th, the UK and France three places to 20th and 28th, respectively, and Italy two spots to 42nd (see Figure 14).

Figure 14. IMD world competitiveness ranking, 2019

1. Singapore
3. US
14. China
17. Germany
23. UK
31. France
- 36. Spain**
44. Italy
63. Venezuela

Source: IMD.

The ranking is based on four factors that, in turn, draw on sub-factors. Spain's ranking in the economic performance dimension improved two places to 29th, in government efficiency it dropped to 40th from 38th, in business efficiency it improved three positions to 39th, and in infrastructure it moved up to 26th from 27th (see Figure 15).

Figure 15. Spain's rankings in the IMD competitiveness index by factors (1)

	2013	2014	2015	2016	2017	2018	2019
Economic performance	53	51	39	30	35	31	29
Government efficiency	50	46	43	49	38	38	40
Business efficiency	50	42	46	41	42	42	39
Infrastructure	27	27	29	27	26	27	26
Overall performance	45	39	37	34	34	36	36

(1) Out of 63 countries.

Source: IMD World Competitiveness Yearbook 2019.

IMD said Spain's main economic strengths are inward direct investment flows (ranked 10th) and exports of commercial services (11th) and the chief weaknesses youth unemployment (60th) and the jobless rate (59th).

Government employees at 15% of total jobs

Civil servants at the national, regional and local levels and members of the armed forces account for 15% of total employment in Spain, lower than in France but higher than in Germany (see Figure 16).

Figure 16. Government employment (as % of total employment), 2017

Country	%
Sweden	29
France	22
UK	16
Spain	15
Italy	13
Germany	10

Source: Eurostat.

Corporate scene

Iberdrola plans to build in Spain Europe's largest solar farm

Iberdrola, a world leader in renewable energy, is seeking to build Europe's largest solar energy farm in Extremadura, the region that borders Portugal, at a cost of €300 million.

The new facility, called Pizarro, will house about 1.7 million solar panels spread over 1,300 hectares, according to Julio Castro, head of Iberdrola's Spanish renewable energy business.